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Preservation and Compliance Strategies in the Extended-Use Period

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Housing Finance Agency	Total Qualified Contract Activity By Year						TOTAL ALL THREE YEARS
	Total QC Requests (submitted CY 2014)	Total Units Among QC Requests (submitted CY 2014	Total QC Requests (submitted CY 2015)	Total Units Among QC Requests (submitted CY 2015)	Total QC Requests (submitted CY 2016)	Total Units Among QC Requests (submitted CY 2016)	
Arkansas Development Finance Authority	37	981	17	682	26	785	80
Arizona Department of Housing	7	844	7	688	4	603	18
Florida Housing	4	984	13	3,576	11	2,732	28
Georgia Dept of Community Affairs	3	222*	17	1,258*	9	666*	29
Idaho Housing & Finance Association	0	0	0	0	1	158	1
Illinois Housing Development Authority	4	733	4	420	4	52	12
Indiana Housing & Community Development Authority	6	444*	7	518*	7	518*	20
Kansas Housing Resources Corporation	15	770	23	708	15	800	53
Louisiana Housing Corporation	0	0	4	728	0	0	4
Michigan State Housing Development Authority	5	469	8	805	5	430	18
Minnesota Housing	4	296*	2	148*	3	222*	9
Missouri Housing Development Commission	14	733	4	156	17	284	35
Montana Board of Housing	0	0	0	0	1	44	1
Nebraska Investment Finance Authority	7	173	2	174	4	80	13
New Hampshire Housing	3	82	1	12	0	0	4
New Mexico			5	872	4	315	9
New York Division of Housing and Community Renewal	0	0	2	148*	3	222*	5
Nevada Housing Div.	3	690	5	1,030	1	120	9
Ohio Housing Finance Agency	1	80	0	0	1	244	2
Oregon Housing & Community Services	2	168	5	600	0	0	7
South Carolina State Housing	7	793	5	347	3	239	15
Wisconsin Housing and Economic Development Authority	0	0	3	188*	12	825*	15
Vermont Housing Finance Agency	0	0	0	0	1	3	1
TOTAL	122	8,462	134	13,058	132	9,342	388

Note: Twelve states that responded to the survey are not listed in the chart because they did zero contracts.

*This agency did not report a number, so this is an average of the other states.

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HFAs' Policies on QCs in the Housing Credit Program

In the competitive 9% Housing Credit program:

- 17 states require applicants to waive their right to a QC;
  - Of these, 13 states require an applicant to waive their right for 15+ years;
  - Of these, 4 states require an applicant to waive their right for 5 years.
- 14 states provide an incentive for applicants to waive their right to a QC;
  - Of these, 11 states incentivize waiving the right for 15+ years;
  - Of these, 6 states incentivize waiving the right for fewer than 15 years.

In the non-competitive 4% Housing Credit program:

- 13 states require applicants to waive their right to a QC;
  - Of these, all 13 require an applicant to waive their right for 15+ years.
- 4 states provide an incentive for applicants to waive their right to a QC*;
  - Of these, 1 state incentivizes* waiving the right for 15+ years.
  - Of these, 3 states incentivize* waiving the right for fewer than 15 years.

** While the 4% Housing Credit program is non-competitive, some states require that developers seeking the Credit score a minimum number of points in the scoring process used to rank applications for the 9% program. In some of these cases, developers, in earning the minimum required score to receive 4% Credits, may choose to claim points available for waiving their right to a QC.*

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HFAs' Affordability Periods in the Housing Credit Program

In the competitive 9% Housing Credit program:

- 32 states either require or incentivize* an affordability period of greater than 30 years.
  - Of these, 13 states require or incentivize* an affordability period of 50 or more years.
- 19 states use the standard 30-year requirement.

In the non-competitive 4% Housing Credit program:

- 19 states require or incentivize* an affordability period of greater than 30 years.
  - Of these, 6 states require or incentivize* an affordability period of 50 or more years.
- 32 states use the standard 30-year requirement.

** While the 4% Housing Credit program is non-competitive, some states require that developers seeking the Credit score a minimum number of points in the scoring process used to rank applications for the 9% program. In some of these cases, developers, in earning the minimum required score to receive 4% Credits, may choose to claim points available for committing to longer affordability periods.*

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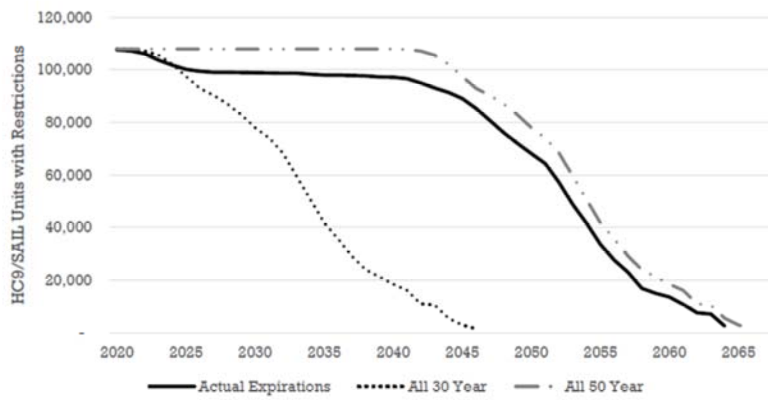
Expiration Scenarios for Existing Housing in Florida

Figure 1. Expiration Scenarios for Existing HC9/SAIL Inventory, 2020-2065



Source: Florida Housing Finance Corporation and Shimberg Center for Housing Studies, Assisted Housing Inventory

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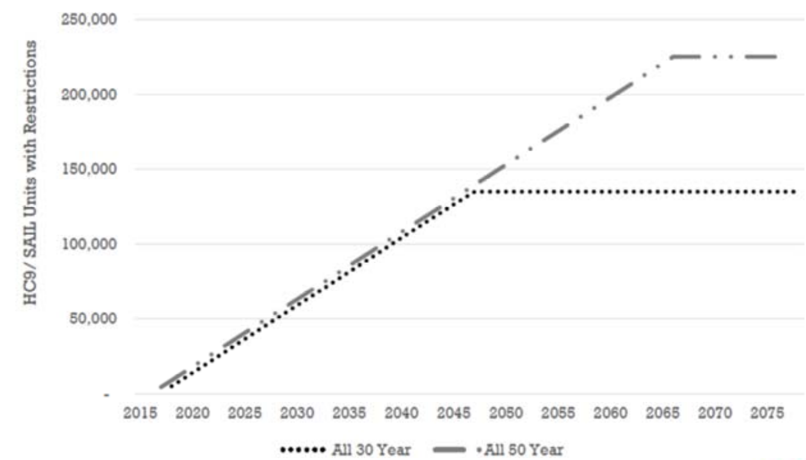
Expiration Scenarios for New Housing in Florida

Figure 2. Expiration Scenarios for Future Additions to HC9/SAIL Inventory, 2015-2075



Source: Florida Housing Finance Corporation

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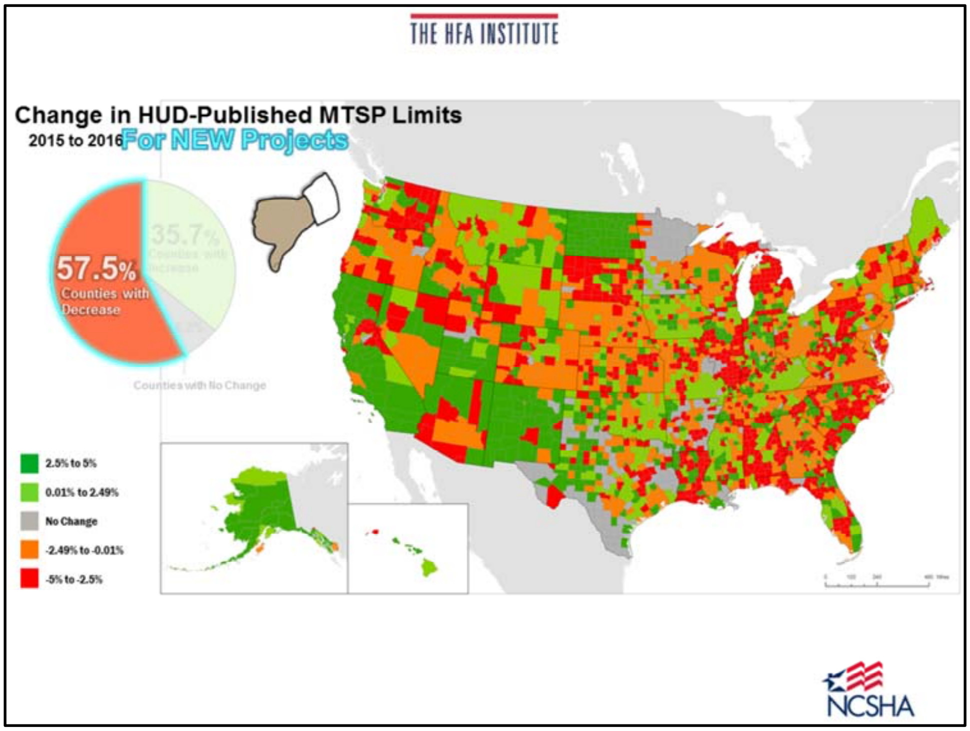
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Change in HUD-Published MTSP Limits
2015 to 2016 For NEW Projects
57.5% Counties with Decrease
35.7% Counties with Increase
Counties with No Change
2.5% to 5%
0.01% to 2.49%
No Change
-2.49% to -0.01%
-5% to -2.5%
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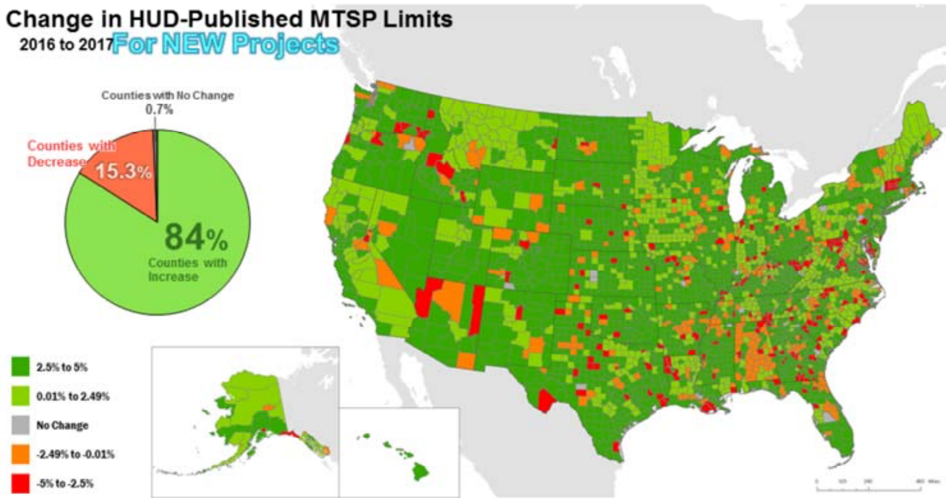
Change in HUD-Published MTSP Limits
2016 to 2017 For NEW Projects



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Hold Harmless and HERA Special

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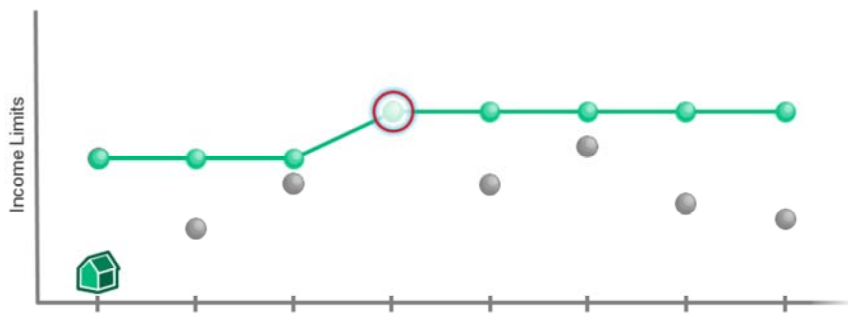
MTSP Income Limits

Hold Harmless



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MTSP Income Limits

Hold Harmless

The hold harmless rule used to be great for all properties because it was an area-based rule. Even if the new limits were lower than the area's previous high water mark, new properties could use the higher limits the rest of the properties in the area were using.

Since 2010, hold harmless is now a project-based rule. If the limits drop in an area from one year to the next, the properties placed in

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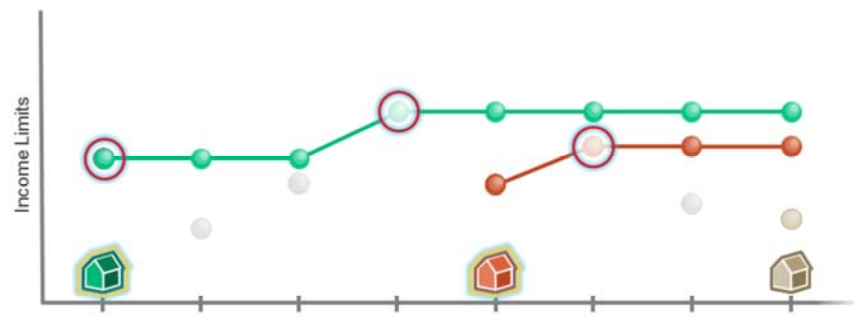
MTSP Income Limits

Hold Harmless



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MTSP Income Limits

Hold Harmless

If you have new properties with lower limits it could pose problems for the older properties with higher limits:

In small rental markets –

The new, lower-rent-limit properties would very likely have fewer vacancies because their rents would be the lowest. The older, higher-rent-limit properties wouldn't likely be able to charge higher rents. However, they could benefit from being able to qualify households whose incomes are too high for the new income limits.

In large rental markets –

There would likely be plenty of demand for both the brand new properties and the older properties; older properties with higher rent limits would likely be able to charge higher rents (being the second least expensive option is still pretty good).

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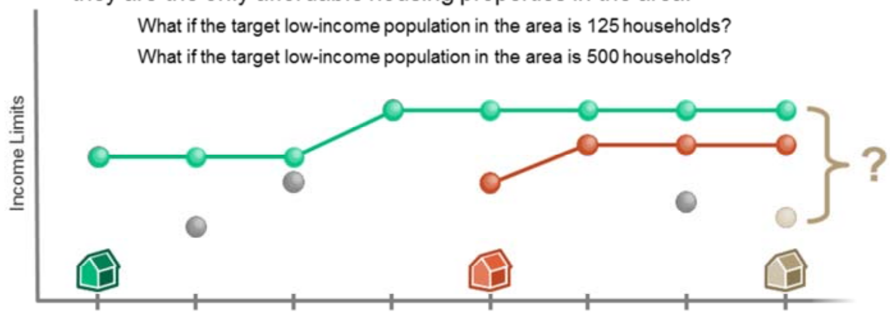
MTSP Income Limits

Hold Harmless

Assume each of these projects is comprised of 50 units and that they are the only affordable housing properties in the area.

What if the target low-income population in the area is 125 households?

What if the target low-income population in the area is 500 households?



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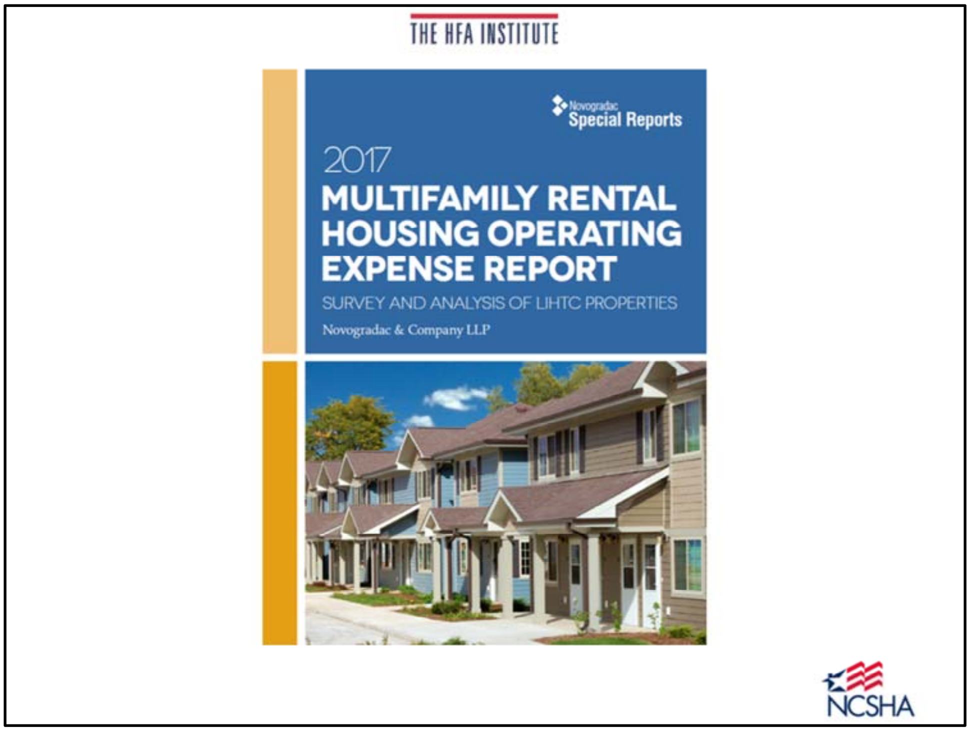


6 years of data.

1,400 properties 2015

7,000 total records

170,000 units

General take aways from previous reports:

1) Senior props different than family props

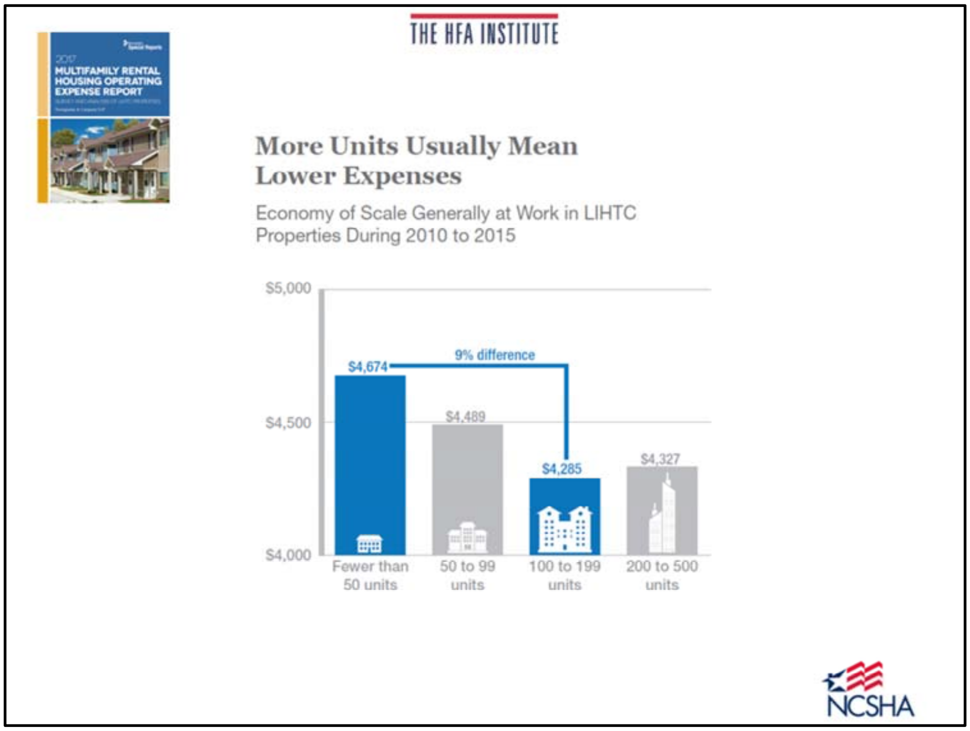
2) Regions of the country

3) Utility costs --- WS strong upward trend

Gas volatile

4) CPI housing a percent lower than LIHTC costs

1) Economies of scale
2) Size of market
3) Acq rehab vs new
4) Age



9 percent difference between 50 units vs 100-199

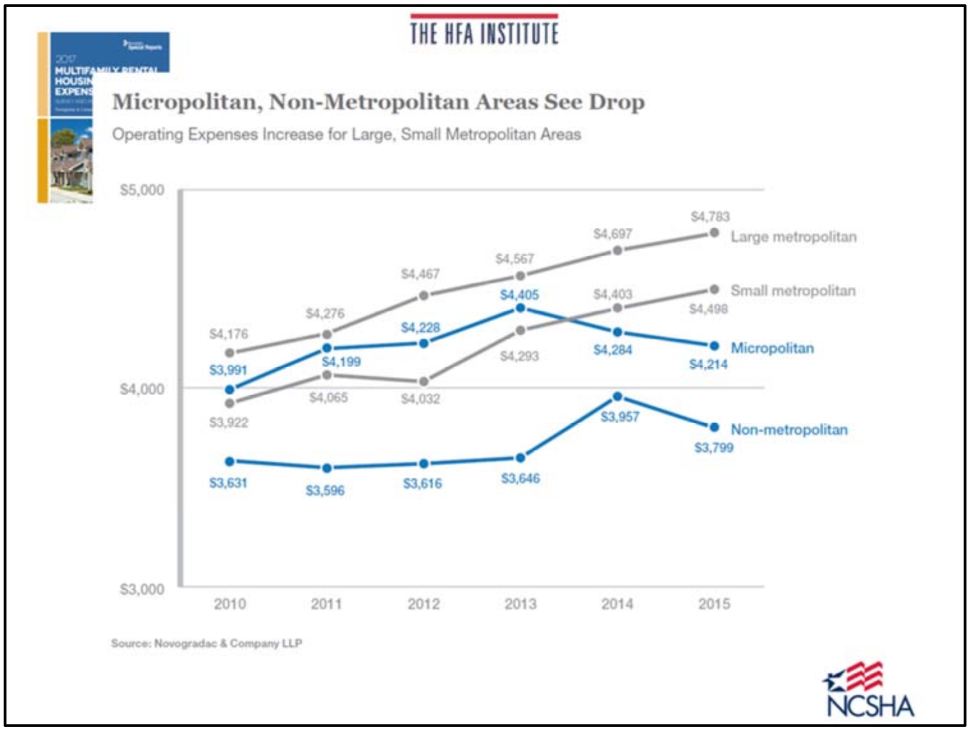
Pops back up – type of properties in the largest. Older/PHA/ very urban (southside chicago/bronx) This becomes a proxy for location.

Administration 29% highest difference

Mgt Fee similar trend

Utilities are pretty consistent

Repairs pretty consistent a little contrary



Large Metro: NYC, LA, > 500,000 Tucson and Milwaukee

Small Metro: Fort Wayne, Santa Fe, Savannah 50,000 <x< 500,000

Micropolitan: Single county metro area – Glenwood spring colorado, Waycross, GA

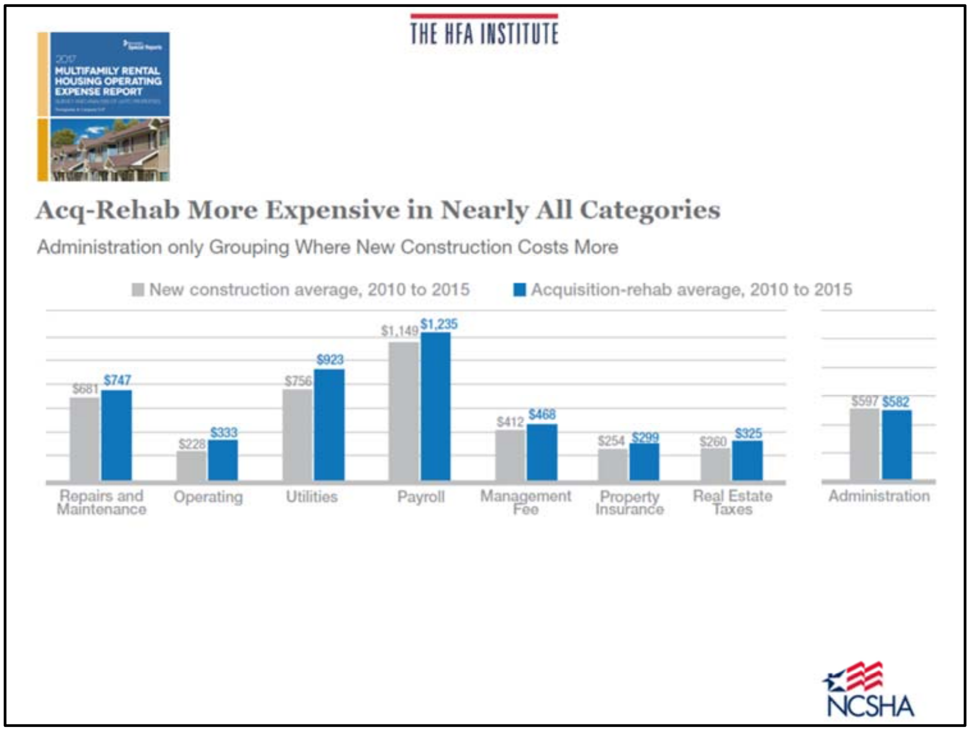
Non-Metro: my hometown in Appalachia -- States Dakotas, MT pretty rural to be included. WV PGH DC

Payroll is the most significant determinant metro and non metro $1,300 to $926

Metro size is more important than geography

Regionally – NE $500 more per unit.

Location really matters. BUT NOT REGION OR EVEN STATE (TAXES)



Interesting that admin is consistent.

Rehab - $5k-$50k per unit?

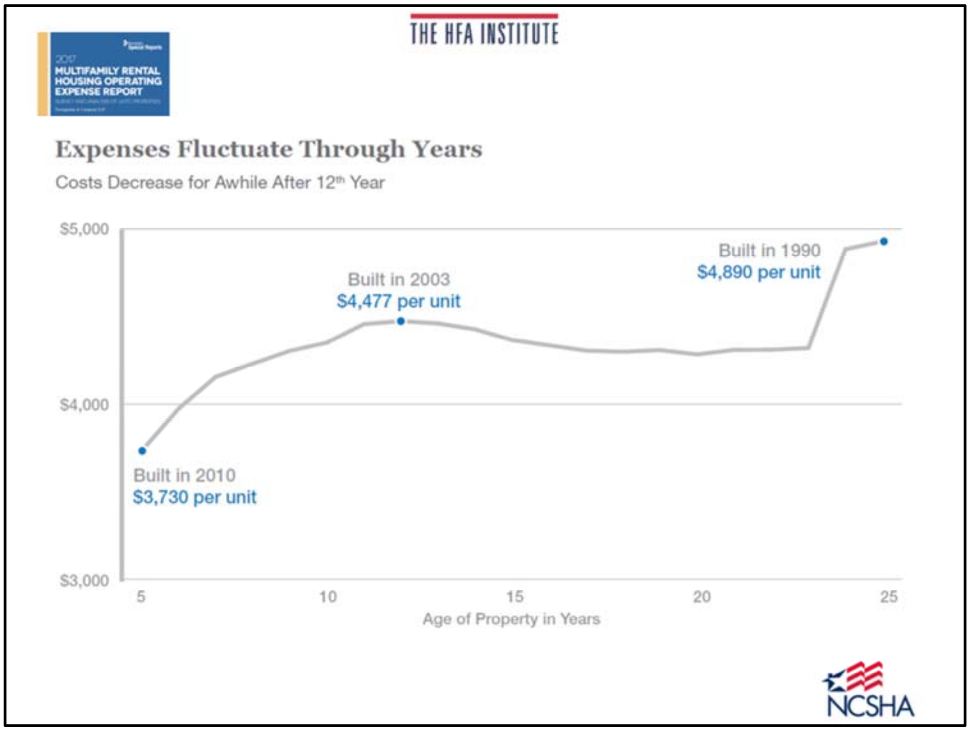
Obviously older more metro – payroll differential is what tells us this specifically.

Payroll is 7.5% higher while R&M is 9.7%

Clearly age is impacting this

Utilities -- 22% higher so a lot of hay to be made there!!!

Insurance is 18% higher! Next year…



Age of property

Does not include acq rehab

How old and what happens

Most interesting 5-10 year there is significant growth.

Then expenses lower. Debated this – property owners not investing as much in upkeep. Lowering of expectations. And best practices.

Maybe a smoothing of equipment failures.

Since we have excluded rehab the 1990 data are outliers and a small sampling

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