

# Mixed-Income Housing Solutions

## Mixed-Income LIHTC: Operating Performance

**Regan St. Pierre**  
**CohnReznick LLP**



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**Tax Credit Investment Services ("TCIS")** provides advisory and due diligence services to help investors make informed decisions on acquiring and managing LIHTC investments.

Our core **services** include:

- ✓ Market education and industry research
- ✓ Tax credit and investment strategies
- ✓ Investment due diligence
- ✓ Portfolio reviews (tax benefit, investment performance, etc.) and benchmarking
- ✓ Organizational assessment
- ✓ System and process improvement



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## Commonly held investor concerns:

- Mixed-income LIHTC properties are **more complex**;
- Moderate or market rate units may be **unable to attract and sustain demand during the 15 year compliance period**; **undermining rent realization** and the property's overall **financial condition**
- **Delivery of tax credits** (which drive yield) are contingent upon program compliance and the ability to service hard debt (avoid foreclosure)



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**Presentation will address perception vs. reality:**

- Profile of mixed-income LIHTC properties historically – what do they look like from a development, affordability, and market perspective?
- How do mixed-income LIHTC properties perform compared to 100% affordable LIHTC properties?



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## Profile of mixed-income LIHTC properties historically:

*What do they look like from a development, affordability, and market perspective?*

## Mixed-income LIHTC properties:

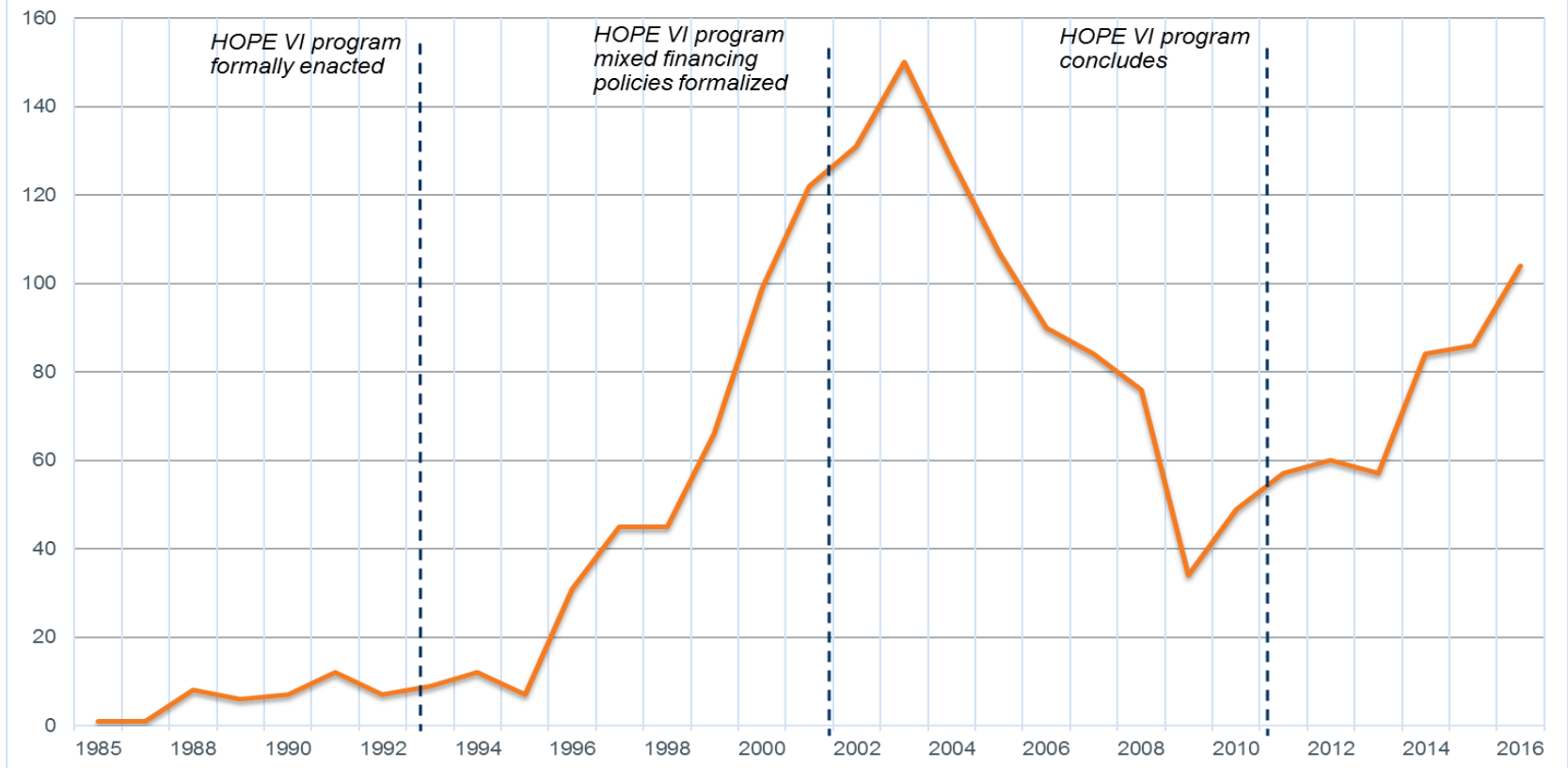
- LIHTC properties with at least 15% of the units affordable to households with incomes >60% AMI
- No distinction between LIHTC properties with 'true' market-rate vs. moderate-income ('workforce') units
- Nearly 2,050 (~9%) of 23,000 properties closed by 2016

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Number of Mixed-Income LIHTC Properties Closed Annually  
(>15% market rates units)





## Mixed-income LIHTC portfolio profile

- New construction (**64.6%** of net equity)
- General occupancy (**81.3%** of net equity)
- Slightly older – more than 10 years beyond PIS
  - **44%** of the portfolio by net equity
  - **60%** by property count
- Total unit count > Total unit count across portfolio



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## Mixed-income LIHTC properties location - representation

States (1985-2017)	LIHTC Mixed-Income Property Counts
NY	382
TX	163
GA	139
OH	112
MA	97
IL	89
CA	88
MI	75
WI	70
AR	65



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## Mixed-income LIHTC properties location - concentration

States (2012-2017)	LIHTC Mixed-Income Property Counts	LIHTC Property Counts	Concentration %
CT	11	42	26.2%
WI	24	112	21.4%
UT	11	57	19.3%
TX	51	274	18.6%
MO	15	86	17.4%
NY	59	377	15.7%
MA	23	153	15.0%
GA	19	159	12.0%
MI	21	176	11.9%
IL	17	160	10.6%



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*How do mixed-income LIHTC properties perform?*

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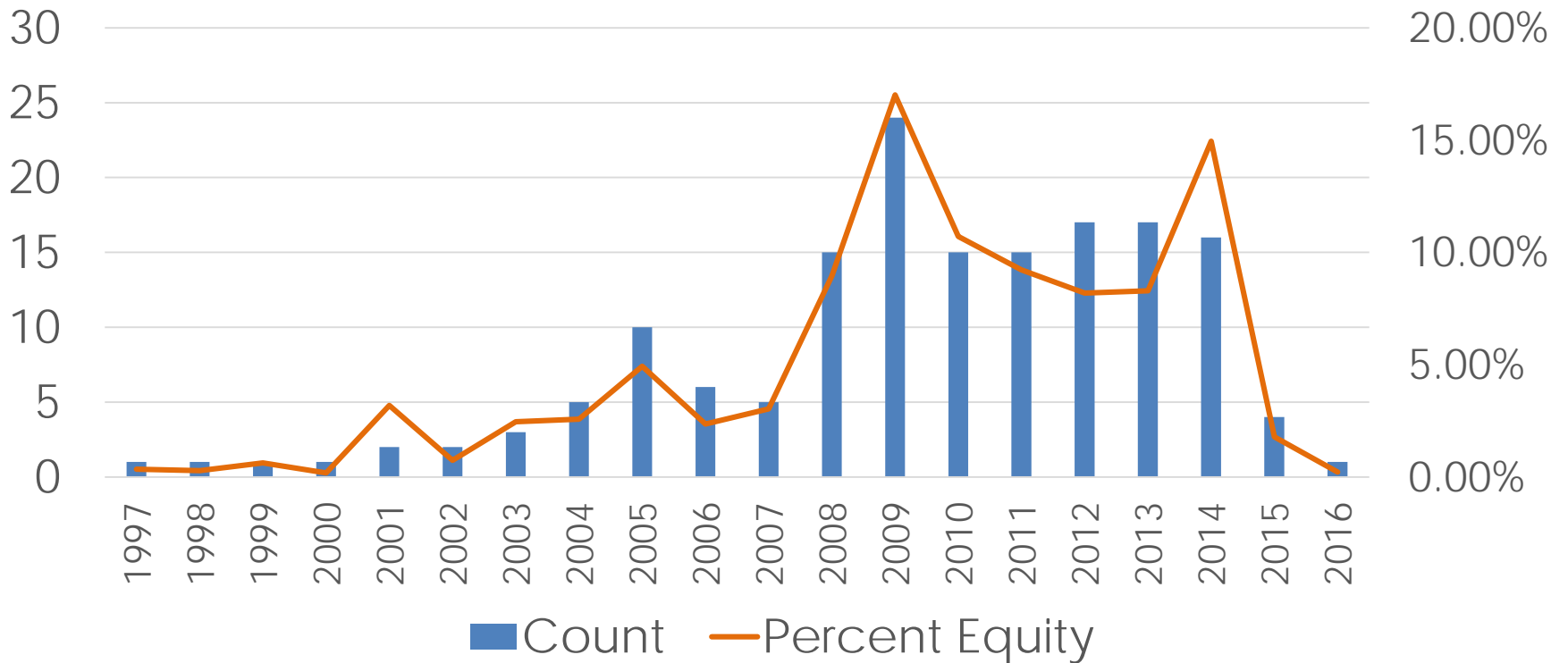
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## Mixed-income LIHTC properties – operating performance

	Mixed-income LIHTC property			LIHTC property		
	2016	2015	2014	2016	2015	2014
Physical Occupancy	97.4%	97.3%	97.2%	97.9%	97.7%	97.5%
Economic Occupancy	96.0%	96.0%	96.0%	97.0%	96.9%	96.6%
Debt Coverage Ratio	1.37	1.32	1.29	1.39	1.38	1.33
Per Unit Cash Flow	\$824	\$797	\$682	\$688	\$660	\$597

## Mixed-income LIHTC Property Foreclosures

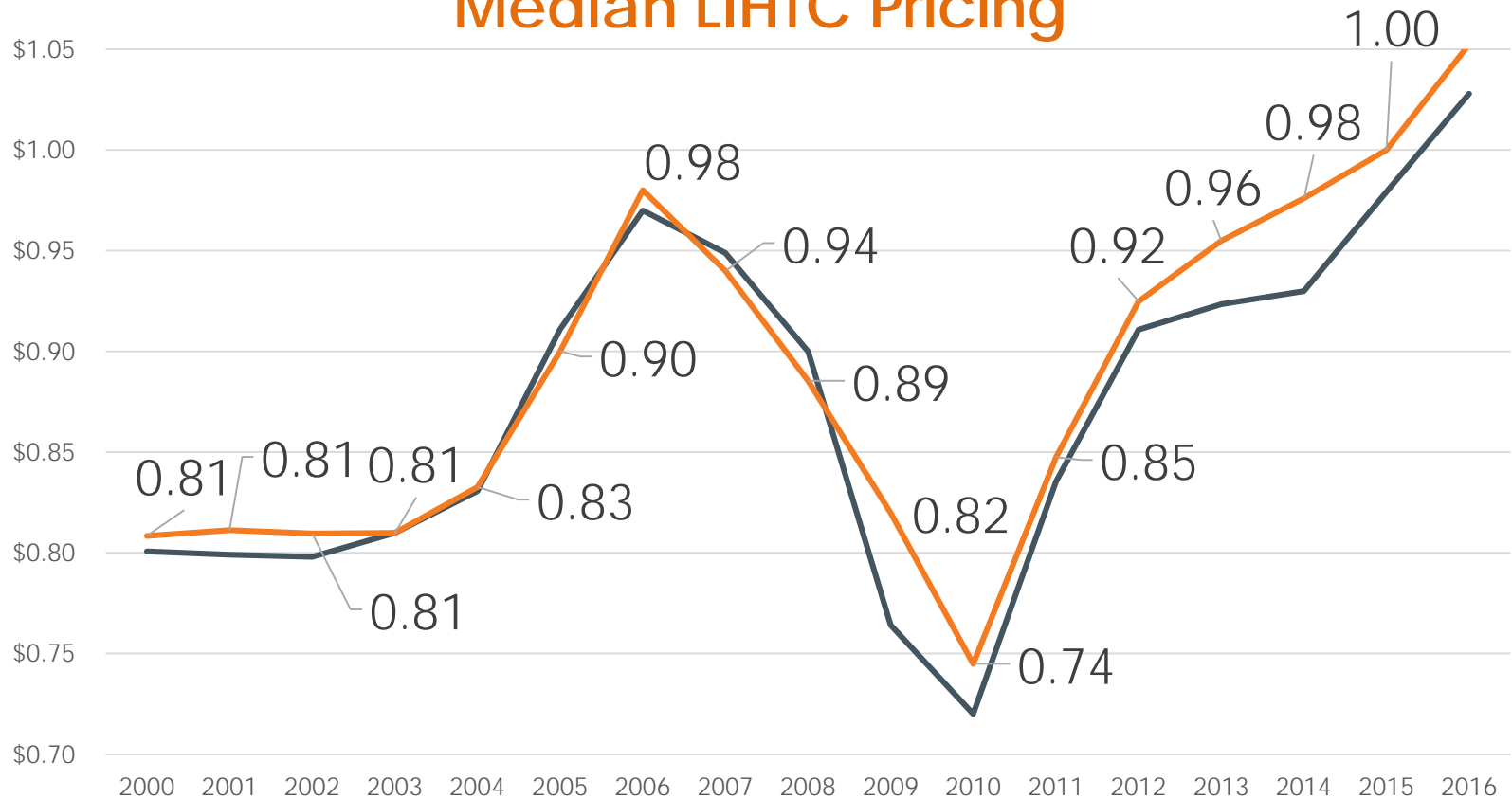


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## Median LIHTC Pricing



— LIHTC Price Portfolio

— LIHTC Price Mixed Income

## Conclusions & Observations

1. There appears to be two cohorts of mixed-income LIHTC properties following trends in national housing policy:
  - developed in the late 1990's & 2000's and
  - developed in last five years.
2. The profile of mixed-income LIHTC properties do not look materially different from their 100% affordable counterparts.
3. Increasingly, more mixed-income LIHTC production in "unproven" markets and states.



## Conclusions & Observations

3. Generally, 'premium' pricing that may reflect geographic concentration in 'hot CRA' markets rather than affordability. Investors not necessarily entitled to more favorable cash flow being generated.
4. Foreclosure rates among mixed-income LIHTC properties exceeded overall LIHTC industry trend. Foreclosure rates have since declined precipitously.

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## Thank you

**Regan St.Pierre**

Senior Manager

Tel: 617-603-4518

Fax: 617-330-9102

[Regan.St.Pierre@CohnReznick.com](mailto:Regan.St.Pierre@CohnReznick.com)

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