

Morgan Stanley



# **Attacking the Gaps: Strategies for Financing Affordable Multifamily Housing**

**October 21, 2019**

Geoff Proulx, Managing Director  
1585 Broadway, 24<sup>th</sup> Floor  
New York, NY 10036  
Phone: (212) 761-9056  
[Geoff.Proulx@morganstanley.com](mailto:Geoff.Proulx@morganstanley.com)

## Selected Gap Funding Sources

### State of New York

- \$20bn over 5 years
- 110,000 units statewide

### City of New York

- *Housing New York 2.0*
- 300,000 units

### State of California

- \$2bn *No Place Like Home*
- \$4bn Proposition 1

### Los Angeles

- \$1.2bn Measure HHH
- \$355mm annually Measure H

### San Francisco

- \$300mm annually Proposition C
- \$500mm Chan Zuckerberg Initiative

### State of Oregon

- \$131mm in 2019
- *LIFT* Program

### Portland, Oregon

- \$653mm – Metro
- \$258mm – City of Portland

### Seattle

- \$500mm committed by Microsoft over 3 years

### State of Vermont

- \$38mm Vermont Property Transfer Tax Revenue Bonds

## Subsidy Funding Comparison

Comparison of Permanent Supportive/Affordable Housing Financing Stacks				
Subsidy	New York State Project		City of Los Angeles Project	
	\$	%	\$	%
4% Tax Credit Equity	\$12,000,000	34%	\$8,280,000	31%
Subsidy 1	8,905,000	25%	5,500,000	21%
Subsidy 2	5,510,000	16%	10,020,000	38%
Permanent Loan	7,090,000	20%	1,262,000	5%
Deferred Developer Fee	1,750,000	5%	1,498,000	6%
Total	\$35,255,000	100%	\$26,560,000	100%

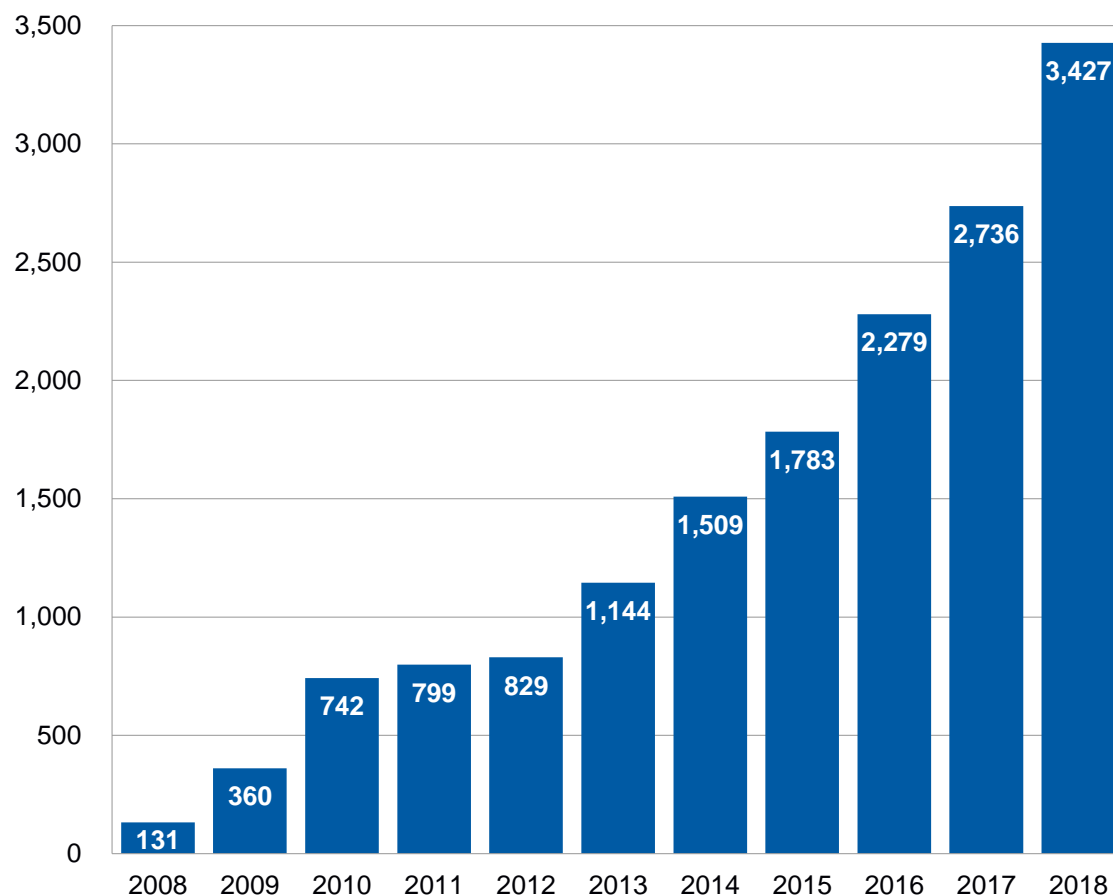
Source: Morgan Stanley Housing Group

## Application of Parity Bond Indenture – NYSHFA Example

<b>Parity Indenture</b>	Affordable Housing Revenue Bonds
<b>Indenture Created</b>	<b>2007</b>
<b>Rating</b>	Aa2
<b>Inaugural Issuance Amount</b>	<b>\$18,050,000</b>
<b>Current Amount Outstanding</b>	\$3,736,350,000
<b>Supplemental Security</b>	SONYMA MIF Freddie Mac Fannie Mae Section 202 Bank Construction LOCs

### NYSHFA Affordable Housing Revenue Bonds Outstanding Over Time

Fiscal Year Ending (\$MM)



Source: New York State Housing Finance Agency 2019 Series F Official Statement and financial statements

# Marketing Mission with Social and Sustainability Bond Designations

<p><b>\$73,600,000</b> Rhode Island Housing and Mortgage Finance Corporation October 3, 2019</p>  <p>Multi-Family Development Bonds (Sustainability Bonds)</p>	<p><b>\$100,000,000</b> Low Income Investment Fund July 16, 2019</p>  <p>Taxable Bonds (Sustainability Bonds)</p>	<p><b>\$175,000,000</b> New York City Housing Development Corporation June 12, 2019</p>  <p>Multi-Family Housing Revenue Bonds (Sustainable Neighborhood Bonds)</p>	<p><b>\$129,975,000</b> New York State Housing Finance Agency June 4, 2019</p>  <p>Homes and Community Renewal Affordable Housing Revenue Bonds (Climate Bond Certified / Sustainability Bonds)</p>	<p><b>\$1,000,000,000</b> Starbucks Corp. May 2, 2019</p>  <p>Sustainability Bonds</p>
<p><b>\$76,335,000</b> Battery Park City Authority July 17, 2019</p>  <p>Battery Park City Authority Senior Revenue Bonds (Sustainability Bonds)</p>	<p><b>\$10,000,000</b> World Bank (IBRD) April 2, 2019</p>  <p>THE WORLD BANK Sustainable Development Bonds</p>	<p><b>\$240,260,000</b> New York State Housing Finance Agency December 4, 2018</p>  <p>Homes and Community Renewal Affordable Housing Revenue Bonds (Climate Bond Certified / Green Bonds)</p>	<p><b>\$125,000,000</b> New York City Housing Development Corporation October 4, 2018</p>  <p>Multi-Family Housing Revenue Bonds (Sustainable Neighborhood Bonds)</p>	<p><b>\$50,000,000</b> Enterprise Community Loan Fund September 25, 2018</p>  <p>Enterprise® Taxable Bonds (Sustainability Bonds)</p>
<p><b>\$276,240,000</b> City of Los Angeles June 27, 2018</p>  <p>General Obligation Bonds (Taxable) (Social Bonds)</p>	<p><b>\$120,010,000</b> New York State Housing Finance Agency May 10, 2018</p>  <p>Homes and Community Renewal Affordable Housing Revenue Bonds (Climate Bond Certified / Green Bonds)</p>	<p><b>\$40,200,000</b> State of Oregon May 9, 2018</p>  <p>General Obligation Bonds (Taxable) (Sustainability Bonds)</p>	<p><b>\$37,825,000</b> Vermont Housing Finance Agency January 9, 2018</p>  <p>Vermont Property Transfer Tax Revenue Bonds (Federally Taxable) (Sustainability Bonds)</p>	<p><b>\$100,000,000</b> Local Initiatives Support Corporation April 21, 2017</p>  <p>Taxable Bonds (Sustainability Bonds)</p>

Source: Morgan Stanley Housing Group

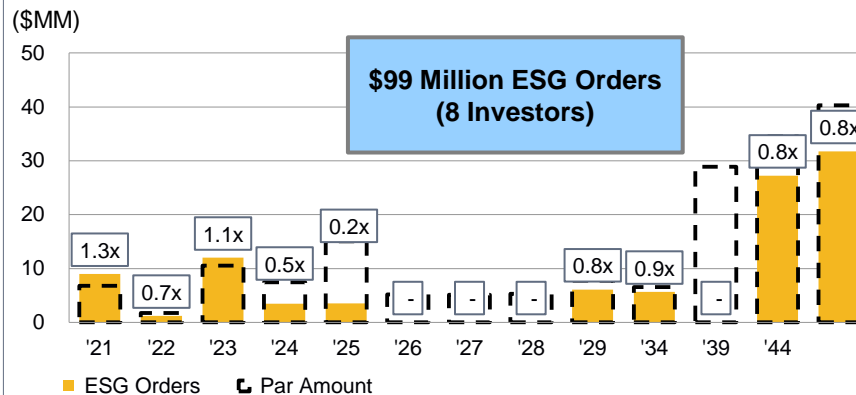
## United Nations' Sustainable Development Goals ("SDGs")



# Significant Demand for ESG Related Bonds

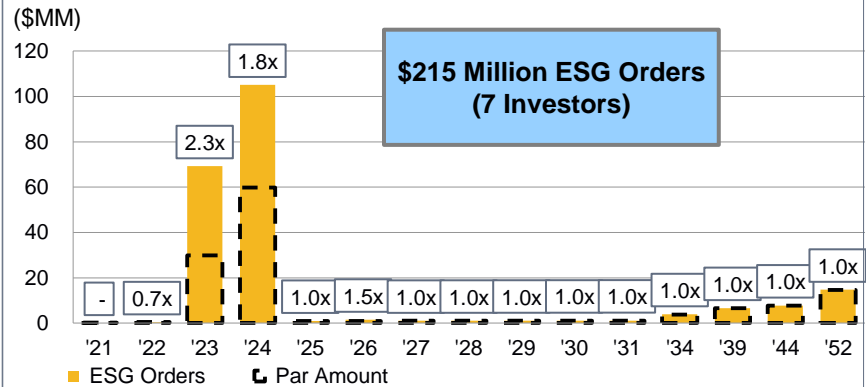
## \$175 Million New York City Housing Development Corporation Sustainable Neighborhood Bonds (Taxable)

June 12, 2019



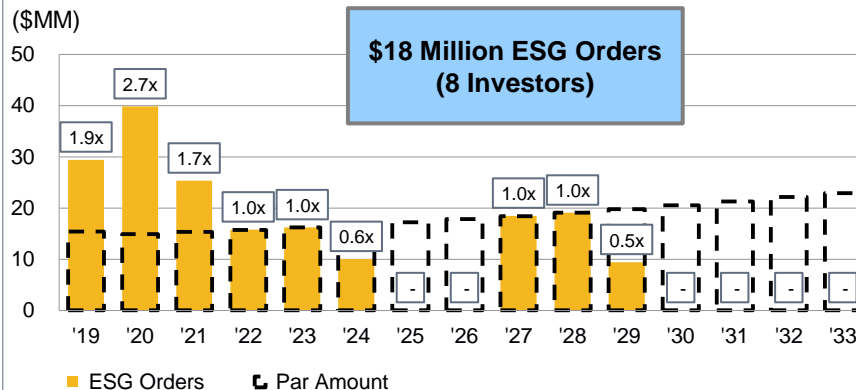
## \$130 Million New York State Housing Finance Agency Sustainability Bonds (Tax-Exempt)

June 4, 2019



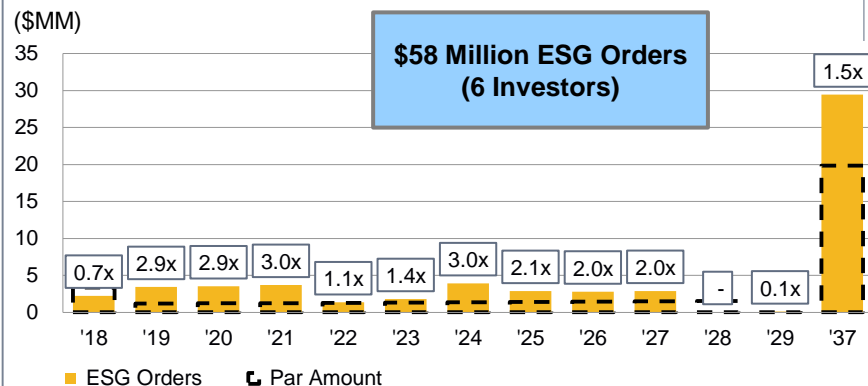
## \$40 Million State of Oregon Sustainability Bonds (Taxable)

May 9, 2018



## \$38 Million Vermont Housing Finance Agency Sustainability Bonds (Taxable)

January 8, 2018



Source: Morgan Stanley Housing Group

## Disclaimer

(a) Morgan Stanley & Co. LLC (“Morgan Stanley”) is not recommending an action to you; (b) Morgan Stanley is not acting as an advisor to you and does not owe a fiduciary duty pursuant to Section 15B of the Exchange Act to you with respect to the information and material contained in this communication; (c) Morgan Stanley is acting for its own interests; (d) you should discuss any information and material contained in this communication with any and all internal or external advisors and experts that you deem appropriate before acting on this information or material; and (e) Morgan Stanley seeks to serve as an underwriter on a future transaction and not as a financial advisor or municipal advisor. The information provided is for discussion purposes only in anticipation of being engaged to serve as underwriter. The primary role of an underwriter is to purchase securities with a view to distribution in an arm's-length commercial transaction with the issuer. The underwriter has financial and other interests that differ from those of the issuer and obligated persons.

Any non-historical interest rates used herein are hypothetical and take into consideration conditions in today's market and other factual information such as the issuer's or obligated person's credit rating, geographic location and market sector. As such, these rates should not be viewed as rates that Morgan Stanley guarantees to achieve for the transaction should we be selected to act as underwriter. Any information about interest rates and terms for SLGs is based on current publicly available information and treasury or agency rates for open-market escrows are based on current market interest rates for these types of credits and should not be seen as costs or rates that Morgan Stanley guarantees to achieve for the transaction should we be selected to act as underwriter.



# Disclaimer

This material was prepared by sales, trading, banking or other non-research personnel of one of the following: Morgan Stanley & Co. Incorporated, Morgan Stanley & Co. International plc, Morgan Stanley MUFG Securities Co., Ltd., Morgan Stanley Capital Group Inc. and/or Morgan Stanley Asia Limited (together with their affiliates, hereinafter "Morgan Stanley"). Unless otherwise indicated, the views herein (if any) are the author's and may differ from those of the Morgan Stanley Research Department or others in the Firm. This information should be treated as confidential and is being delivered to sophisticated prospective investors in order to assist them in determining whether they have an interest in the type of instruments described herein and is solely for internal use.

This material does not provide investment advice or offer tax, regulatory, accounting or legal advice. By submitting this document to you, Morgan Stanley is not advising you to take any particular action based on the information, opinions or views contained in this document, and acceptance of such document will be deemed by you acceptance of these conclusions. You should consult with your own municipal, financial, accounting and legal advisors regarding the information, opinions or views contained in this document. Unless stated otherwise, the material contained herein has not been based on a consideration of any individual client circumstances and as such should not be considered to be a personal recommendation. This material was not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under U.S. federal tax laws. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

This material has been prepared for information purposes only and is not a solicitation of any offer to buy or sell any security, commodity, futures contract or instrument or related derivative (hereinafter "instrument") or to participate in any trading strategy. Any such offer would be made only after a prospective participant had completed its own independent investigation of the instrument or trading strategy and received all information it required to make its own investment decision, including, where applicable, a review of any prospectus, prospectus supplement, offering circular or memorandum describing such instrument or trading strategy. That information would supersede this material and contain information not contained herein and to which prospective participants are referred. If this material is being distributed in connection with or in advance of the issuance of asset backed securities, information herein regarding any assets backing any such securities supersedes all prior information regarding such assets. Unless otherwise specifically indicated, all information in these materials with respect to any third party entity not affiliated with Morgan Stanley has been provided by, and is the sole responsibility of, such third party and has not been independently verified by Morgan Stanley or its affiliates or any other independent third party. We have no obligation to tell you when information herein is stale or may change. We make no express or implied representation or warranty with respect to the accuracy or completeness of this material, nor are we obligated to provide updated information on the instruments mentioned herein. Further, we disclaim any and all liability relating to this material.

To the extent any prices or price levels are noted, they are for informational purposes only and are not intended for use by third parties, and are indicative as of the date shown and are not a commitment by Morgan Stanley to trade at any price.

This material may have been prepared by or in conjunction with Morgan Stanley trading desks that may deal as principal in or own or act as market maker or liquidity provider for the instruments or issuers mentioned herein and may also seek to advise issuers of such instruments. Where you provide us with information relating to your order or proposed transaction ("Information"), we may use that Information to facilitate the execution of your orders or transactions, in managing our market making, other counterparty facilitation activities or otherwise in carrying out our legitimate business (which may include, but is not limited to, hedging a risk or otherwise limiting the risks to which we are exposed). Counterparty facilitation activities may include, without limitation, us taking a principal position in relation to providing counterparties with quotes or as part of the ongoing management of inventories used to facilitate counterparties. Where we commit our capital in relation to either ongoing management of inventories used to facilitate clients, or in relation to providing you with quotes we may make use of that information to enter into transactions that subsequently enable us to facilitate clients on terms that are competitive in the prevailing market conditions. Trading desk materials are not independent of the proprietary interests of Morgan Stanley, which may conflict with your interests. Morgan Stanley may also perform or seek to perform investment banking services for the issuers of instruments mentioned herein 'Characteristics and Risks of Standardized Options,' which is available from your account representative.

Any securities referred to in this material may not have been registered under the U.S. Securities Act of 1933, as amended, and, if not, may not be offered or sold absent an exemption therefrom. In relation to any member state of the European Economic Area, a prospectus may not have been published pursuant to measures implementing the Prospectus Directive (2003/71/EC) and any securities referred to herein may not be offered in circumstances that would require such publication. Recipients are required to comply with any legal or contractual restrictions on their purchase, holding, sale, exercise of rights or performance of obligations under any instrument or otherwise applicable to any transaction. In addition, a secondary market may not exist for certain of the instruments referenced herein.

The securities, commodities, futures or other instruments (or related derivatives) discussed in this material may not be suitable or appropriate for all investors. This material has been prepared and issued by Morgan Stanley for distribution to market professionals and institutional investor clients only. This material does not provide individually tailored investment advice or offer tax, regulatory, accounting or legal advice. Prior to entering into any proposed transaction, recipients should determine, in consultation with their own investment, legal, tax, regulatory and accounting advisors, the economic risks and merits, as well as the legal, tax, regulatory and accounting characteristics and consequences, of the transaction. You should consider this material among other factors in making an investment decision.

Options and futures are not for everyone. Before purchasing or writing options, investors should understand the nature and extent of their rights and obligations and be aware of the risks involved, including the risks pertaining to the business and financial condition of the issuer and the underlying instrument. For Morgan Stanley customers who are purchasing or writing exchange-traded options, please review the publication 'Characteristics and Risks of Standardized Options,' which is available from your account representative.

## Disclaimer

The value of and income from investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities, prices of instruments or securities, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in instruments (or related derivatives) transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes only to simplify the presentation and/or calculation of any projections or estimates, and Morgan Stanley does not represent that any such assumptions will reflect actual future events or that all assumptions have been considered or stated. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein. Some of the information contained in this document may be aggregated data of transactions executed by Morgan Stanley that has been compiled so as not to identify the underlying transactions of any particular customer.

Notwithstanding anything herein to the contrary, Morgan Stanley and each recipient hereof agree that they (and their employees, representatives, and other agents) may disclose to any and all persons, without limitation of any kind from the commencement of discussions, the U.S. federal and state income tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to the tax treatment and tax structure. For this purpose, "tax structure" is limited to facts relevant to the U.S. federal and state income tax treatment of the transaction and does not include information relating to the identity of the parties, their affiliates, agents or advisors.

This information is not intended to be provided to and may not be used by any person or entity in any jurisdiction where the provision or use thereof would be contrary to applicable laws, rules or regulations.

This communication is directed in the UK to those persons who are eligible counterparties or professional clients and must not be acted on or relied upon by retail clients (each as defined in the UK Financial Services Authority's rules).

This information is being disseminated in Hong Kong by Morgan Stanley Asia Limited and is intended for professional investors (as defined in the Securities and Futures Ordinance) and is not directed at the public of Hong Kong.

This information is being disseminated in Singapore by Morgan Stanley Asia (Singapore) Pte. This information has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this information and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of this security may not be circulated or distributed, nor may this security be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Any offering of this security in Singapore would be through Morgan Stanley Asia (Singapore) Pte, an entity regulated by the Monetary Authority of Singapore.

This information is being disseminated in Japan by Morgan Stanley MUFG Securities Co., Ltd., Any securities referred to herein may not have been and/or will not be registered under the Financial Instruments Exchange Law of Japan (Law No. 25 of 1948, as amended, hereinafter referred to as the "Financial Instruments Exchange Law of Japan"). Such securities may not be offered, sold or transferred, directly or indirectly, to or for the benefit of any resident of Japan unless pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments Exchange Law and other relevant laws and regulations of Japan.

As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organized or engaged in business under the laws of Japan. If you reside in Japan, please contact Morgan Stanley MUFG Securities for further details at +613-5424-5000.

This information is distributed in Australia by Morgan Stanley Australia Limited A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents, and arranges for it to be provided to potential clients. In Australia, this report, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act.

For additional information, research reports and important disclosures see <https://secure.ms.com/servlet/cls>. The trademarks and service marks contained herein are the property of their respective owners. Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data.

This material may not be redistributed without the prior written consent of Morgan Stanley.

© 2019 Morgan Stanley