

Ensuring Long-Term Stability for the Housing Credit Inventory

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Ensuring Long-Term Stability for the Housing Credit Inventory

for NCSHA's 2024 Housing Credit Connect

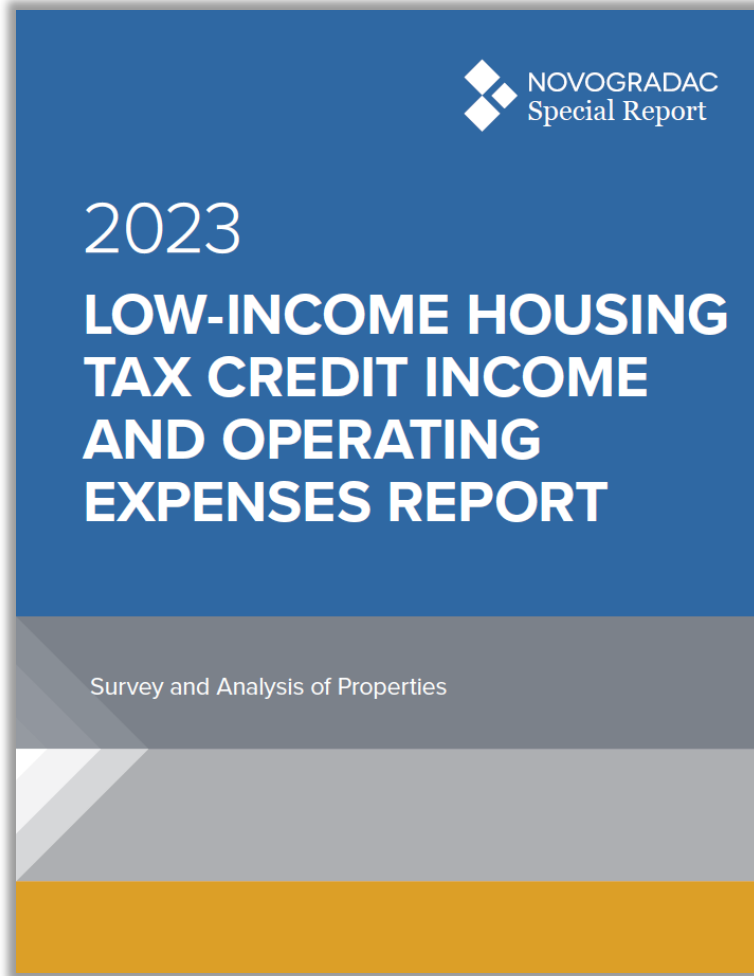
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Income and Expense Trends and Data

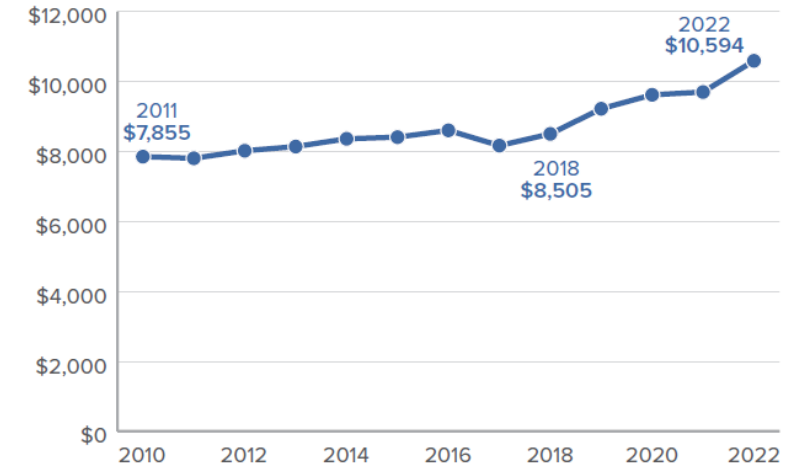


- 2023 report based upon 2022 data
- Data has been tracked for 13 years
 - Information from more than 186,000 housing units in nearly 1,700 affordable housing developments
- 2022 data shows that rental income and operating expenses at affordable housing rental properties are **still in a state of flux due to pandemic-related issues:**
 - Supply chain
 - Labor costs
 - General inflation
 - Increases in VLI income limits

Rental Income and Operating Expenses

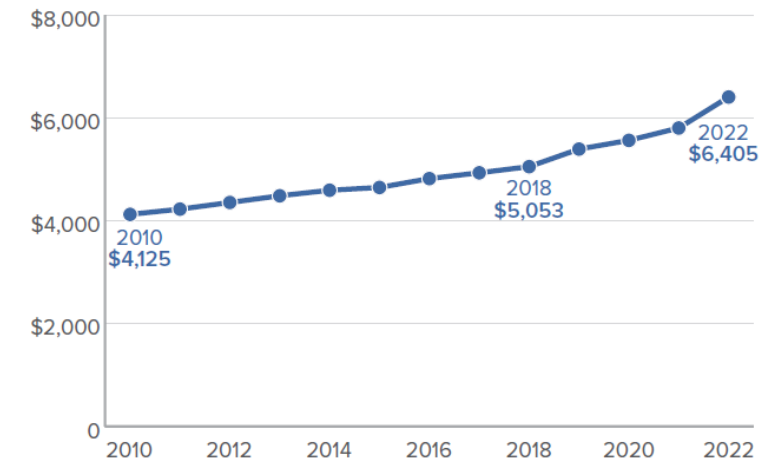
- 2022 Rental income increase YOY: 9.2%
- 2022 Expenses increase YOY: 10.4%
- 2022 Inflation: 6.8%
- Reasons for increase in income:
 - End of pandemic-related moratoriums
 - HUD's VLI limits had a cap of 11.89%

Rental Income Sets Record for Fourth Straight Year



Source: Novogradac

Operating Expenses Surpass \$6,000 For First Time

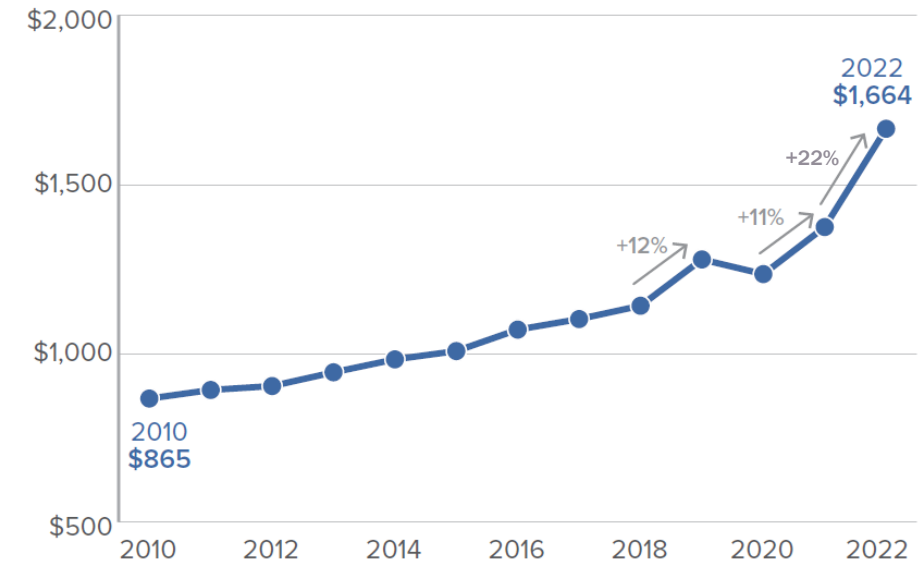


Source: Novogradac

Repairs & Maintenance

- Repairs & maintenance - largest expense category
 - First time in 13 years of tracked data
- 2022 Increase: 21.7%
 - Highest annual increase ever recorded
 - Increase > 2 times 2nd largest category
 - Admin: 11.7%
- Contributors:
 - Lack of repairs during pandemic
 - Inflation
 - Turnover-related repairs with more vacancies

Three Big Jumps in Four Years for Repairs and Maintenance Expenses

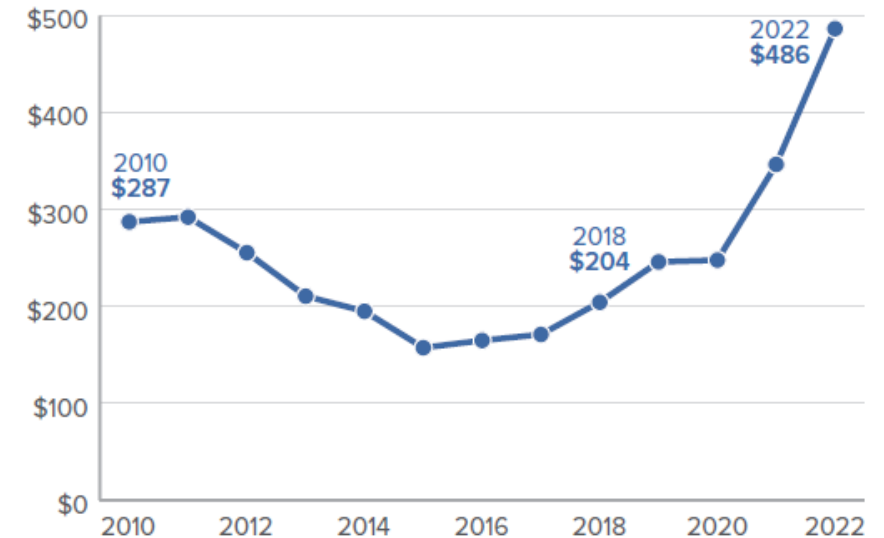


Source: Novogradac

Vacancy Loss

- **2022 Vacancy Loss: \$486 per unit**
 - 4.6% of annual rental income
- **2010 Vacancy Loss: \$287**
 - 3.7% of annual rental income
- **Excluding 2020, since 2018, vacancy cost increases 19.5%, 20.4%, 39.9% and 40.4%.**
- **Rising rents = rising vacancy cost**

Second Straight Year of Large Increase in Vacancy Loss

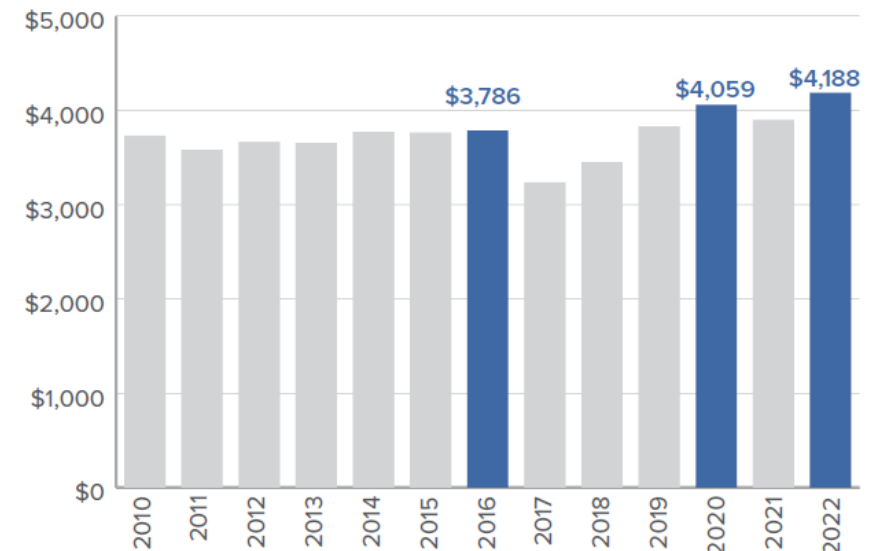


Source: Novogradac

Net Operating Income

- 2022 NOI Record \$4,188 per unit
- NOI dropped in 2021
 - 1st decrease since 2017
 - Only four decreases since 2010
- 2022 total expenses = 58.5% of rental income
 - 4th highest percentage recorded

NOI Sets Record after Rare Drop in 2021

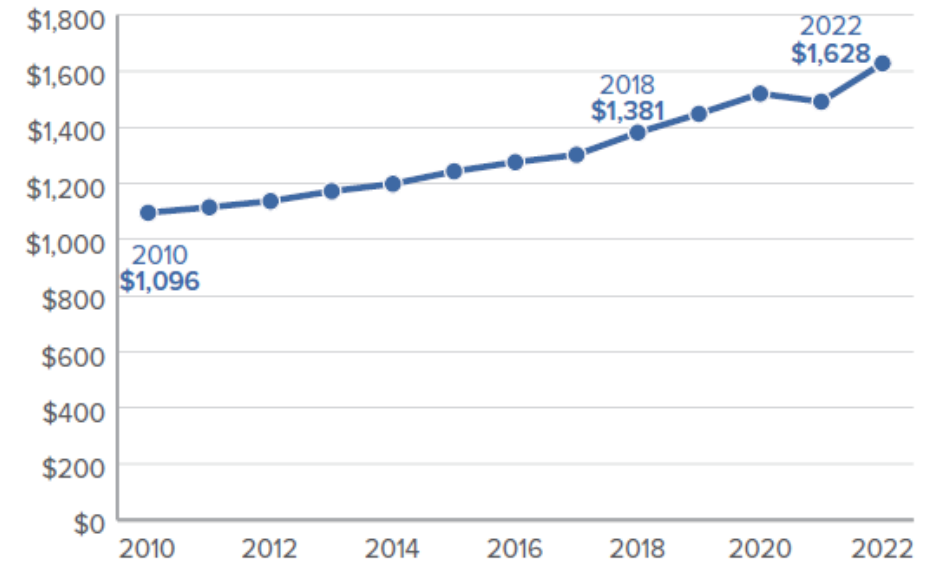


Source: Novogradac

Payroll

- Payroll expenses increase: 9.2%
 - Average American salary increased 2.4% during 2022 according to U.S. BLS
 - Caused in part by increase in number of employees
- Payroll expenses dropped in 2021
 - Only drop observed in Novogradac's years of tracking data
 - Attributed to reductions in staff at many properties due to the pandemic

Payroll Costs Increase After Rare Decrease in 2021

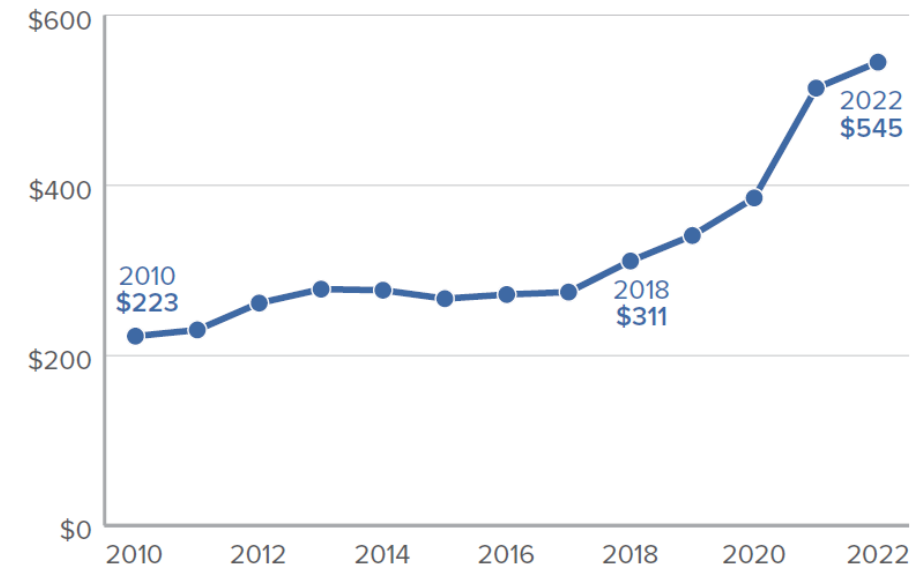


Source: Novogradac

Property Insurance

- Insurance increased: median of 5.9%
 - Lower than overall increase of 10.4%
- 33.5% increase in 2021
 - Insurance has typically been the smallest expense category analyzed
- Causes:
 - Weather-related catastrophes
 - Rising construction costs/insurable value
 - Insurance companies pulling out of high-cost areas, reinsurance markets
 - Increased deductibles

Property Insurance Sets Another Record in 2022

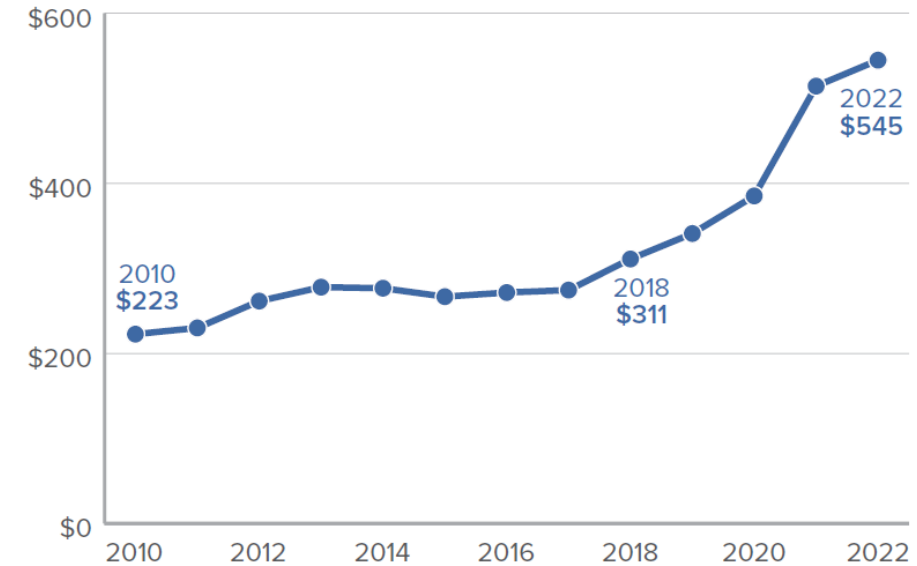


Source: Novogradac

Property Insurance

- Geographic variation:
 - Arizona \$197
 - Florida \$1,069
- Regional differences
 - New England: median of \$829 per unit
 - Less than \$500 per unit
 - Mid-Atlantic region
 - Pacific Northwest
 - Pacific Southwest
 - California
 - Arizona
 - Nevada
 - Hawaii

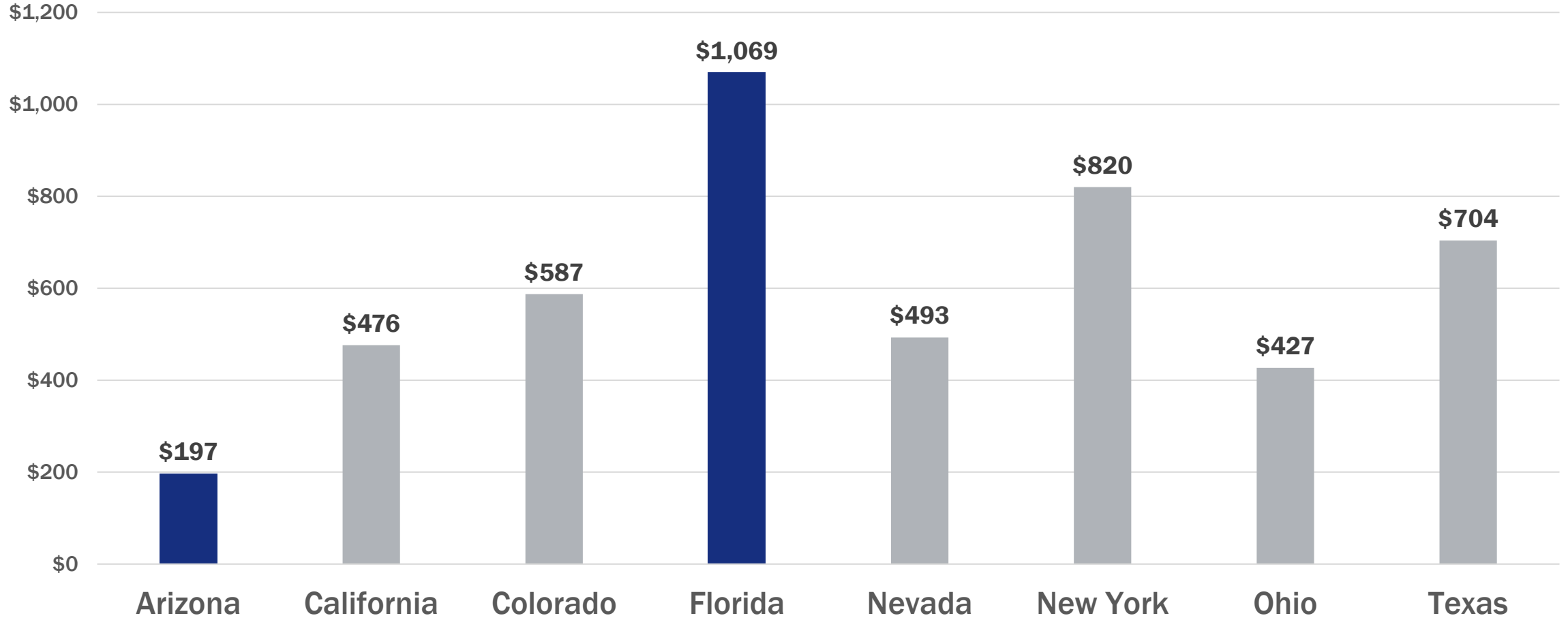
Property Insurance Sets Another Record in 2022



Source: Novogradac

Comparing Property Insurance Across States

2022 Property Insurance Cost per Unit



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Policy Recommendation for a Healthy Ecosystem

- Increasing Revenue to Support Sustainable Homes and Housing Stability
 - Support Residents
 - Sustaining Homes and Home Providers
- Preserving the Homes We Have (policy and capital)
- Creating a Delivery System for New Long-Term Viability

Increasing Revenue to Support Sustainable Homes and Housing Stability

- Near Term
 - Target ERA
 - Resident services funding
 - Accountability
 - Improved referrals/voucher process
 - Limited rent increases
 - Operating assistance
- Long Term
 - More Rental Assistance

Policy Recommendation for a Healthy Ecosystem

Preserving the Homes We Have (policy and capital)

- Near Term
 - Leverage IRA
 - Flexibility on soft debt
 - Access to Reserves
- Long Term
 - Pass AHCIA
 - New Preservation Sources

Policy Recommendation for a Healthy Ecosystem

Creating a Delivery System for New Long-Term Viability

- Near Term
 - Balance preservation focus in QAP
 - Fund resident services
 - Assess underwriting assumptions on vacancy, cost increase
 - Minimize complexity/number of sources & policy objectives
- Long Term
 - Pass AHCIA
 - Additional preservation funding sources