

THE HFA INSTITUTE 2025

Housing Credit Year 30 Preservation Strategies



National Council of
State Housing Agencies



**MRBs and
Other Federal
Homeownership
Programs**
JANUARY 15 – 17



Housing Credit
JANUARY 14 – 16



**Section 8 and
Other Federally
Assisted
Multifamily
Housing**
JANUARY 15 – 17



**HOME and
Housing Trust
Fund**
JANUARY 12 – 14



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Florida Housing Finance Corporation
Portfolio Preservation Plan

Marisa Button, Managing Director of
Strategic Initiatives



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Florida Housing Preservation Plan 2018

Conceptual Matrix to Prioritize Rental Developments in FHFC's Portfolio for Preservation

Proposed for Future Discussion 12/2018

When Florida Housing begins discussions in the future about using valuable, competitive resources for portfolio preservation, it would be useful to consider how to prioritize properties to receive this funding. This matrix is a starting point for those discussions and can be tailored to the priorities of the day. One or more of these factors may apply to a property; by themselves, they may not be particularly important; altogether, it may spell great risk. This matrix is unnecessary for situations when non-competitive funds are available for a property to recapitalize.

	TIER 1 Higher Priority	TIER 2 Middle Priority	TIER 3 Lower Priority	COMMENTS
Property Risk Factor				
Affordability Expiration: Risk of loss of lower income units due to ability to increase rents b/c of strong market	Strong rental market with no impediments to conversion	Strong market, but weak performer or poor location; OR weak market, but strong performing, attractive property	Weak market or inability of property to compete for market rate tenants	Factors to consider: regulatory issues, marketability of property, conversion costs, owner mission, etc.
Affordability Expiration: Risk of loss of units serving high priority demographic population	Imminent loss due to affordability expiration	Loss of property in next 2-4 years due to affordability expiration	Loss of property in 5-10 years due to affordability expiration	Possible mitigation if nonprofit ownership structure and housing still fits nonprofit's mission; however, other concerns, such as property condition, combined with location in strong market, might mean property is lost
Ageing Stock: Risk of impacts/loss due to deteriorating physical condition	Imminent loss due to condemnation proceedings or governmental action to close the property	Probable loss of the property in the next 2-4 years. Likely to have significant code and safety issues	Risk of loss, but time unknown: poor physical inspections and/or tenant complaints	Factors to Consider: Year property was built, # years since last rehab, annual replacement reserves contribution, total reserves balance
Ageing Stock: Risk of impacts/loss due to financial viability	Lender has declared a default	Property is not current on loan or covenants but no default has been declared	Property is financially troubled but able to maintain loan payments	Analysis based on 3 yrs of financials. Factors to consider: vacancy, municipal liens, sponsor financial condition, owner & property mgmt practices
Qualified Contract: Risk of loss in a strong market if qualified contract not obtained	Imminent QC request risk due to timing, market and property location	QCP occurs in next 2-4 years, and market is strong; or QCP imminent but market or property location is less strong	QCP is 5+ years out, and/or market where property located is weak	Factors to consider: regulatory issues, marketability of property, conversion costs, owner mission, etc.
Market Condition Opportunity	Unique opportunity to purchase a project at a below market price due to seller motivations	Sale price based on present value of reduced income stream value will increase as expiration date approaches	Property for sale - no particular economic benefit to purchase at this moment	

	TIER 1 Higher Priority	TIER 2 Middle Priority	TIER 3 Lower Priority	COMMENTS
General Criteria for All Projects				
Certain demographic served or unit mix	For example: Majority of units with 1 bedroom	For example, general family occupancy	For example, restricted to elderly occupancy only	This might be based on likelihood of certain properties being more or less able to go to market
Project based rental assistance	Most units have long term rental assistance (doesn't include vouchers unless project based)	Some units have long term rental assistance	No units have rental assistance	Recognizes value of federal subsidy, but also must consider the possibility of owner's choice not to renew if other program restrictions have come to an end
ELI units and/or high proportion of ≤60% AMI units at the property	High % of ELI units	Some ELI units	No ELI units	ELI = extremely low income
Risk of tenant displacement	No tenant protections	Some tenants protected	Vouchers (regular or enhanced) for all tenants	Relates to existing tenant income profile
Importance of the property in the community: is this the only affordable housing? Are broader losses occurring or imminent? What is the scale of loss?	To be determined	To be determined	To be determined	For example, if an at-risk project = 40% of all the affordable rental units in a locale, this might make it a high priority. Or what if many other properties are also expiring in the area in the same 5-year period?
Location, e.g., close to amenities, transit, opportunity areas	Near schools, transit, jobs	Near schools, transit OR jobs	Not close to schools, transit, jobs	Must be evaluated among like communities (i.e., higher and lower population centers)
Owner development and management performance	Strong owner performance	Moderate owner performance	Poor owner performance	Performance to be defined, but could focus on "Development Management Scoring" items (if implemented) or more specifically on asset management activities. Poor owner performance could be mitigated by sale to or takeover by another entity

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Jeff Adler

Vice President, Yardi Matrix



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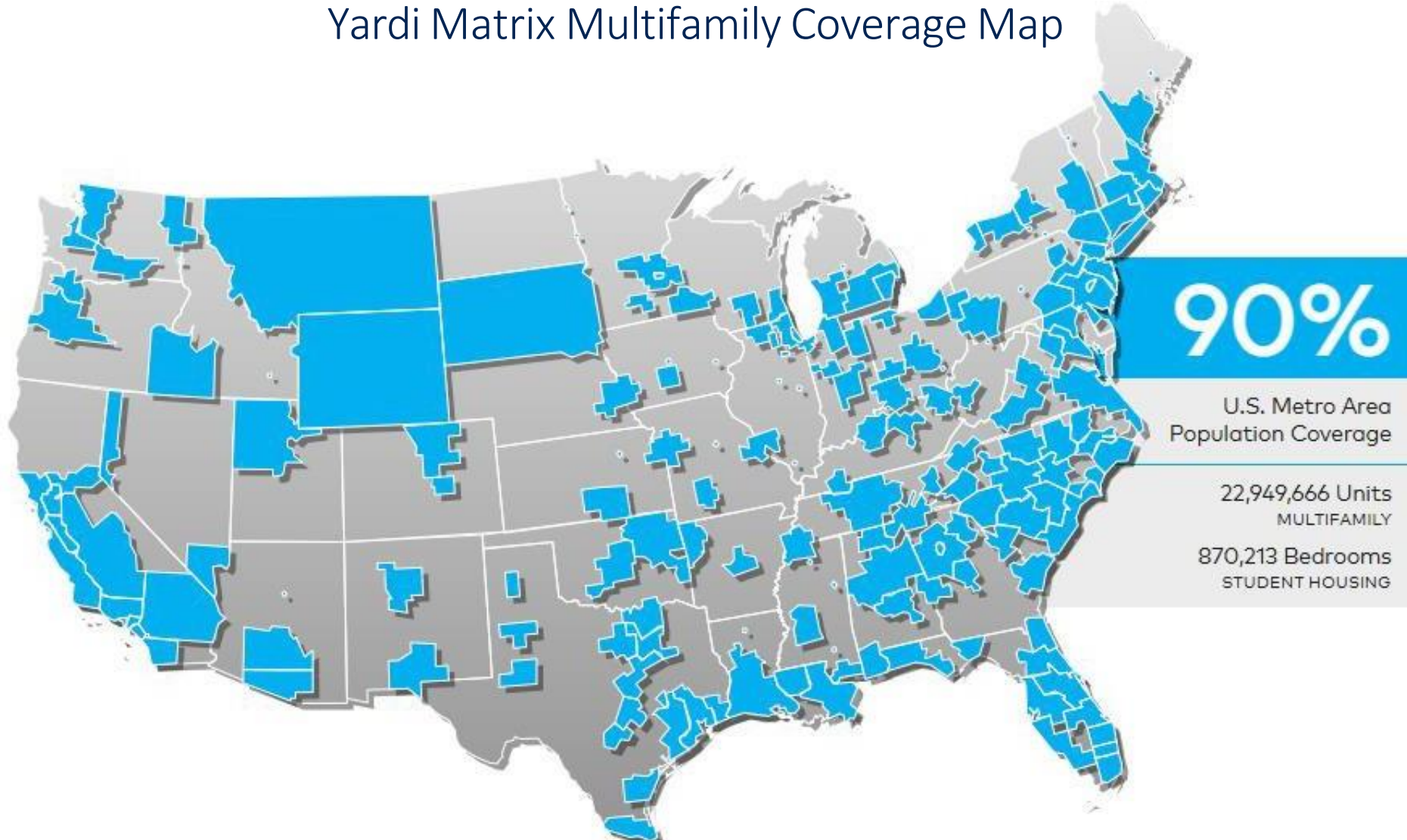
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Yardi Matrix Multifamily Coverage Map

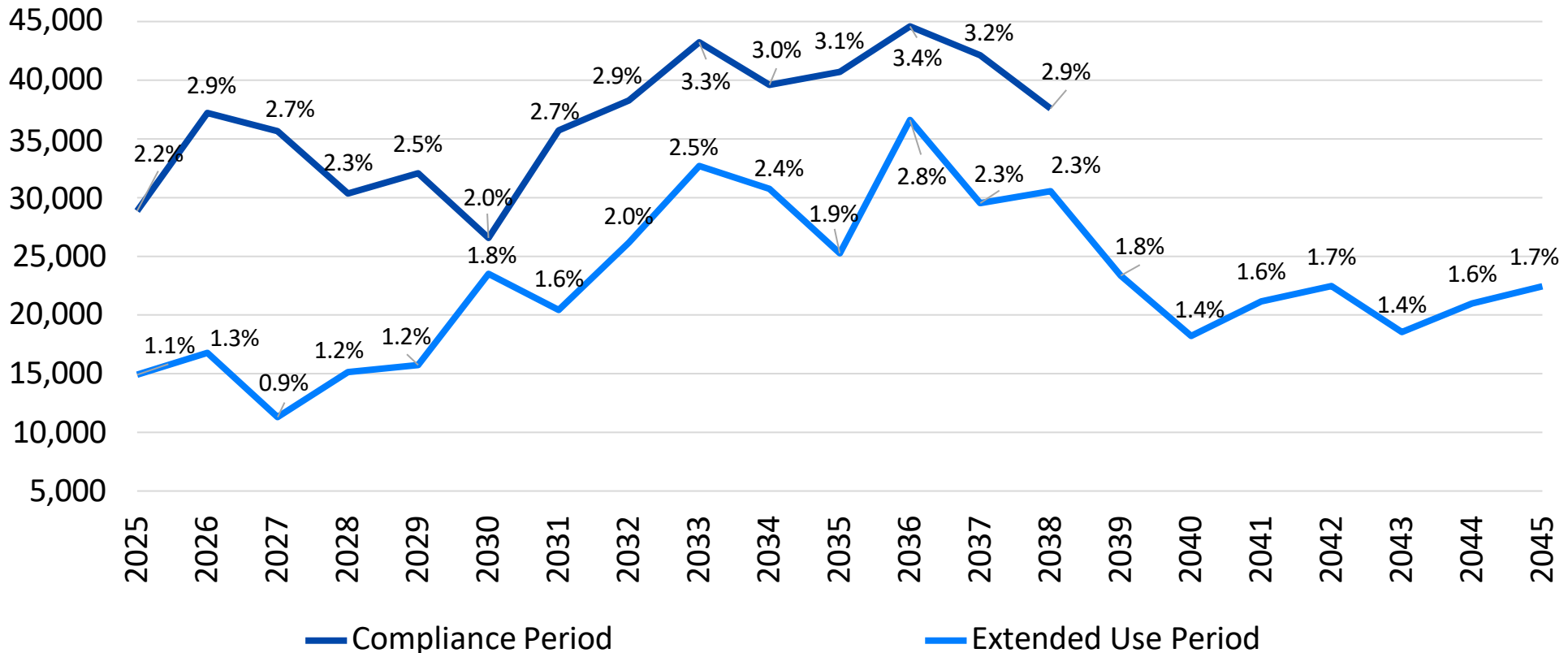


Yardi Matrix Fully Affordable Housing Coverage Completed Properties,
=>50 Units, a Total of >3.3 MM Units

Fully Affordable Status	# of Properties
Private Sector	12,437
Tax Credits	9,494
PB Section 8	2,286
Other Regular	598
Other Special	59
Total Non-Profit	9,420
Public Housing Authority (PHA)	3,858
Non-Governmental Organization (NGO)	5,562
TOTAL Market Coverage	21,857

As Affordable Units Reach the End of their Compliance Periods, A Need for Preservation Strategies is Evident

**Number of Private Sector Units with Expiring Compliance
and Extended Use Periods and Percentage of Total LIHTC Units**

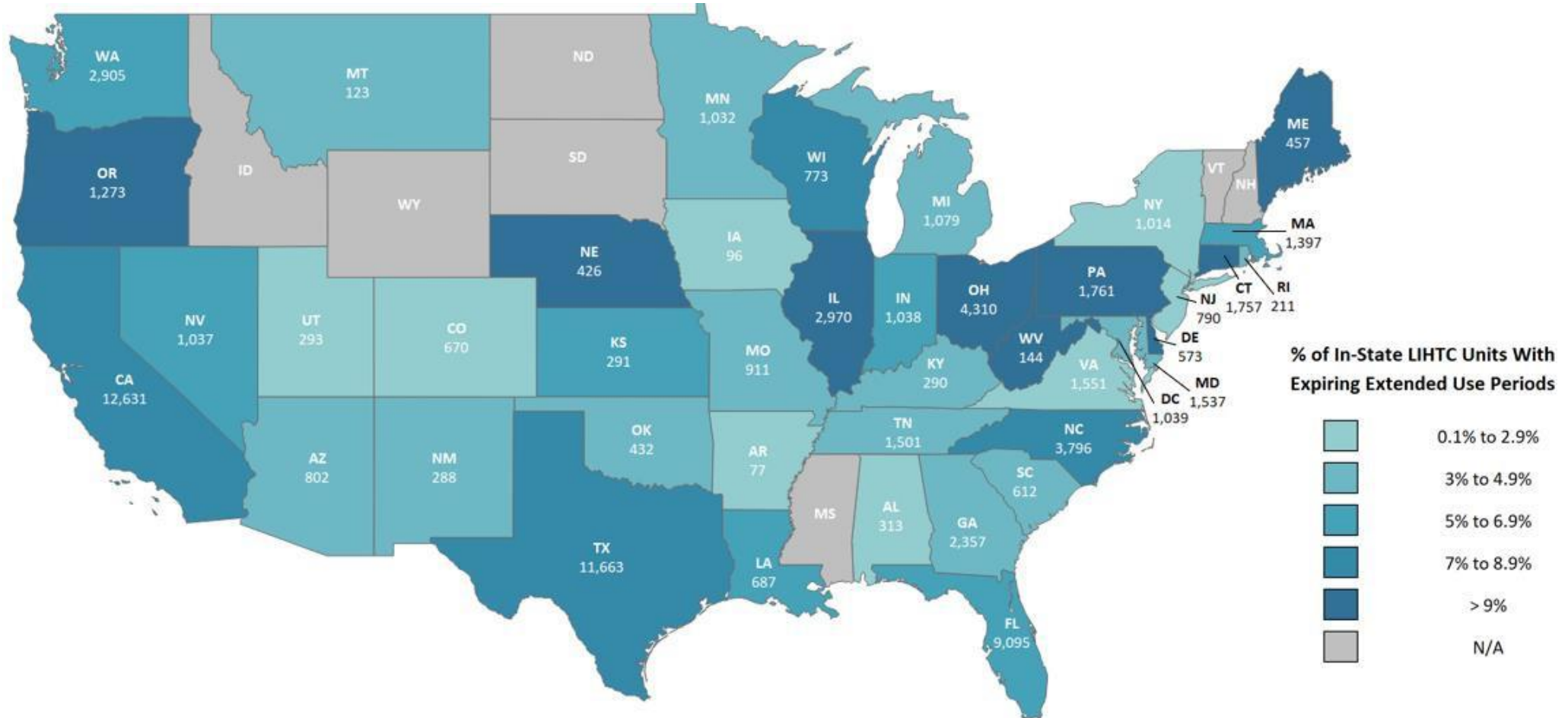


Only Fully Affordable - Private Sector Units are included. Percentage values calculated as number of private sector units expiring divided by total LIHTC units

Data as of December 2024 | Source: Yardi Matrix

West Coast & Midwest States Have the Largest Supply of Affordable Stock Nearing the End of Their Extended Use Periods

Number of Private Sector Units with Expiring Extended Use Periods (2025-2029) and Percentage of Total LIHTC Units



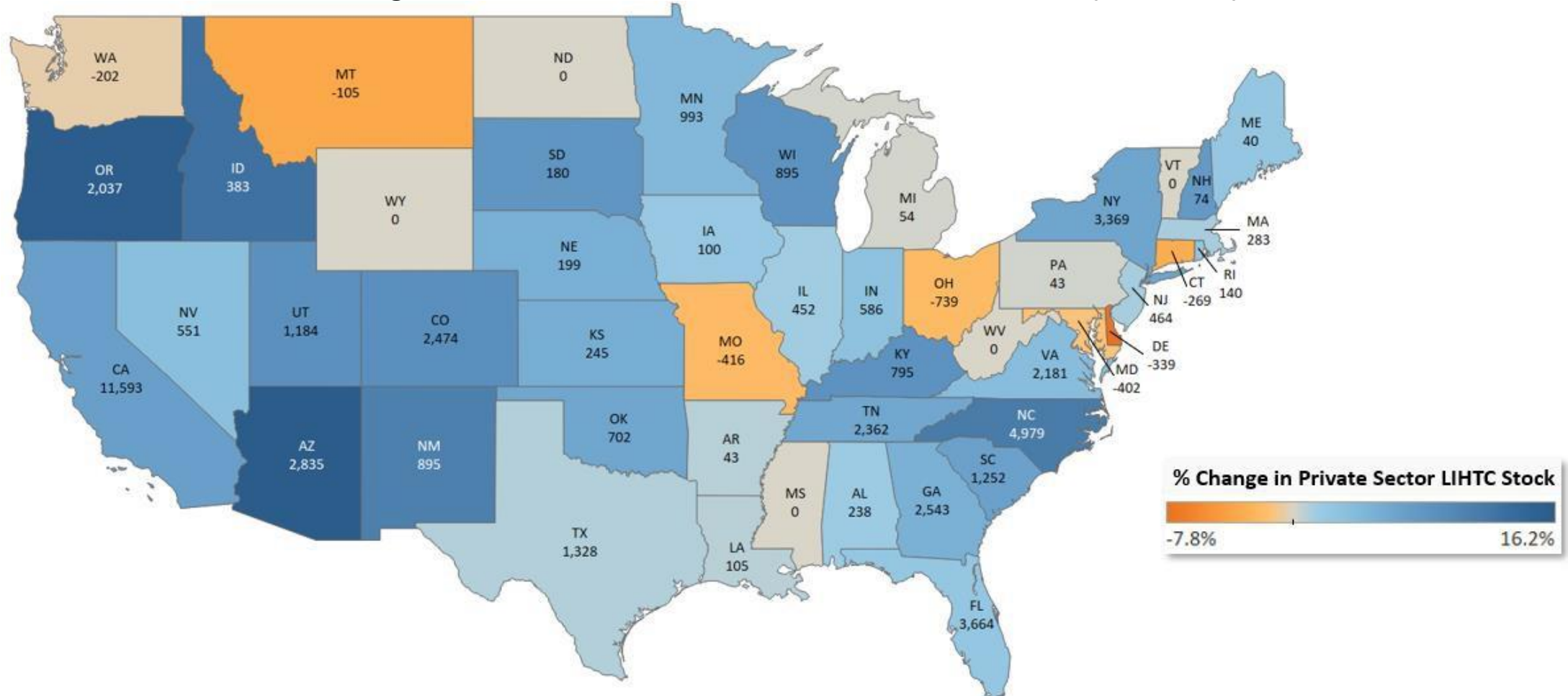
Preservation in States Where Extended Use Periods are Ending is a Serious Issue

Top 10 States	% of Expiring Extended Use Periods (2025-2029)	% of Expiring Extended Use Periods (2025-2034)	Total Private Sector LIHTC Units Per State
Maine	25.7%	36.3%	1,779
Connecticut	19.7%	23.7%	8,900
West Virginia	14.6%	41.9%	983
Delaware	13.1%	23.7%	4,371
Ohio	11.5%	34.5%	37,378
Nebraska	11.0%	11.0%	3,883
Oregon	10.0%	21.1%	12,721
Pennsylvania	9.2%	24.7%	19,135
Illinois	9.1%	19.1%	32,583
North Carolina	8.9%	19.9%	42,873

Table sorted by % of expiring extended use periods (2025-2029). Total private sector LIHTC units includes planned, prospective and under construction
 Data as of December 2024 | Source: Yardi Matrix

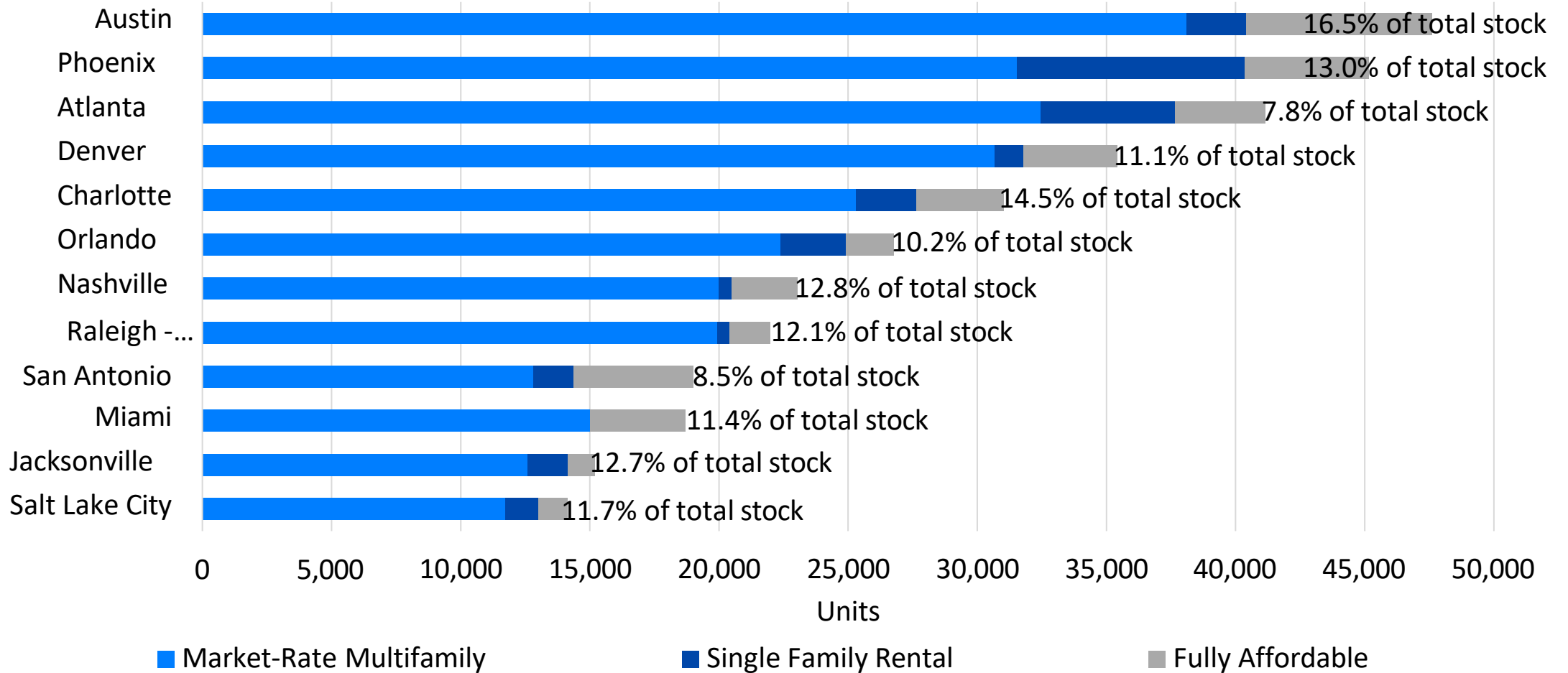
Western and Southeastern States are Expected to See Notable Growth in Affordable Housing Supply, But Relative to the Scale of the Housing Problem, It's Minor

Forecasted Net Change in Private Sector LIHTC Units as a % of In-State Stock (2024-2026)



There are ~15-20 Markets with a Lot of Supply to Digest in '24- '25

Forecasted New Unit Deliveries (2024-2025)





THANK YOU

Feel free to contact me with any questions.

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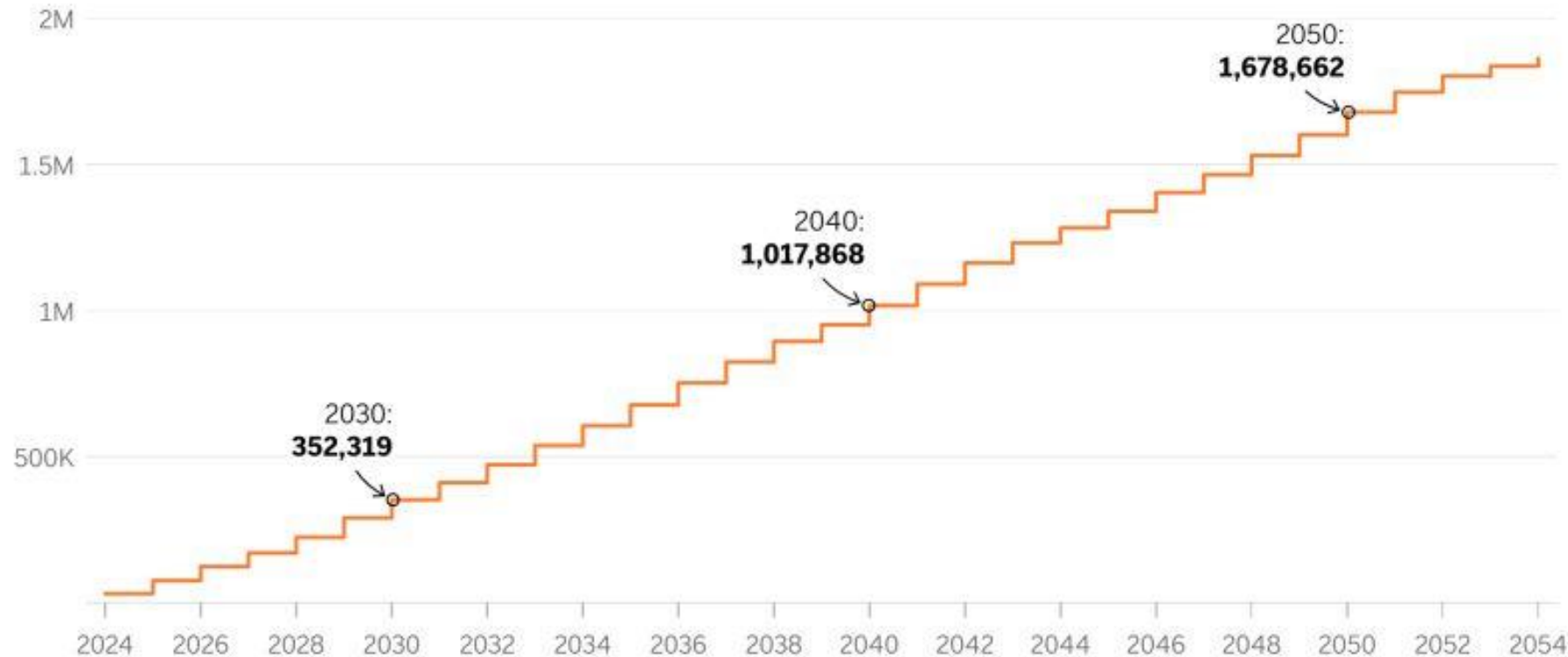
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Expiring tax credit may roil rental market

The federal Low Income Housing Tax Credit incentivized developers to build affordable housing and keep rents low for a minimum of 30 years. Now, as many developments hit the 30-year mark, the supply of affordable housing could further be jeopardized.

Rental homes at risk of losing affordability restrictions

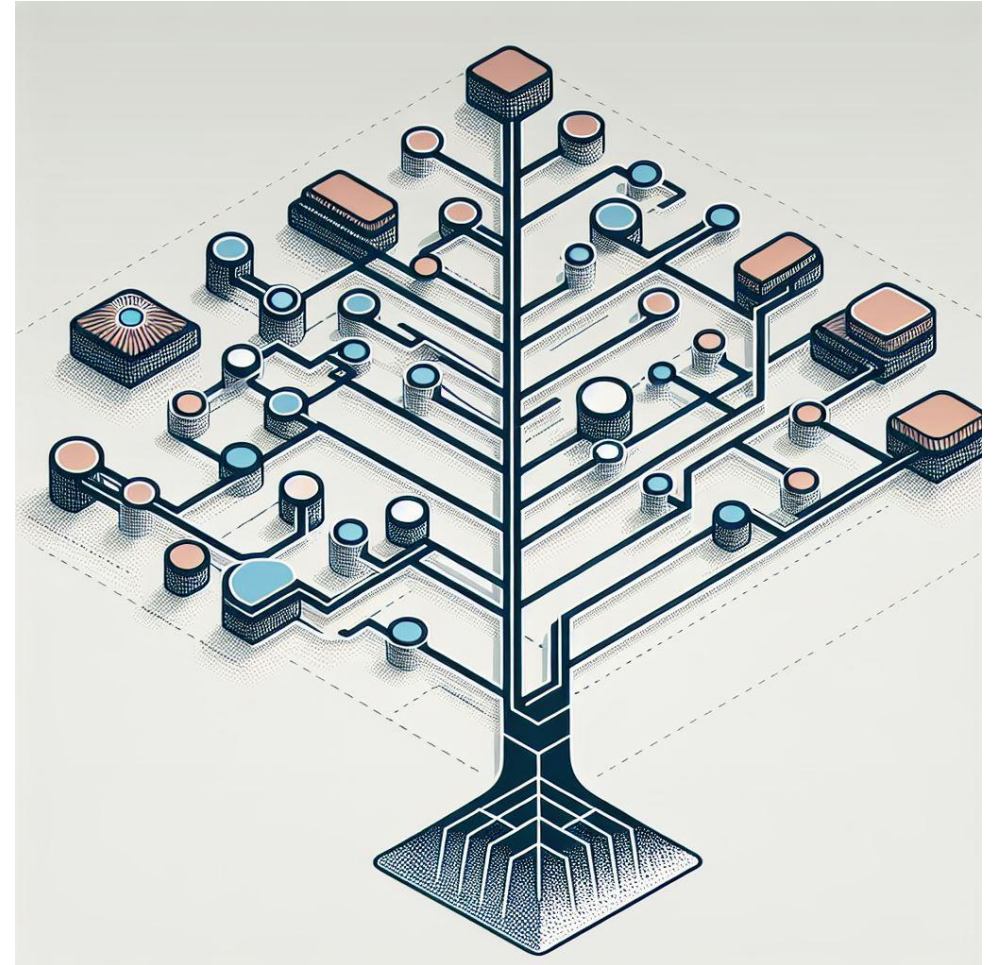


Figures are cumulative and represent the upper bound estimate, or maximum number of housing units, affected by the expiring tax credit.

Source: Public and Affordable Housing Research Corporation

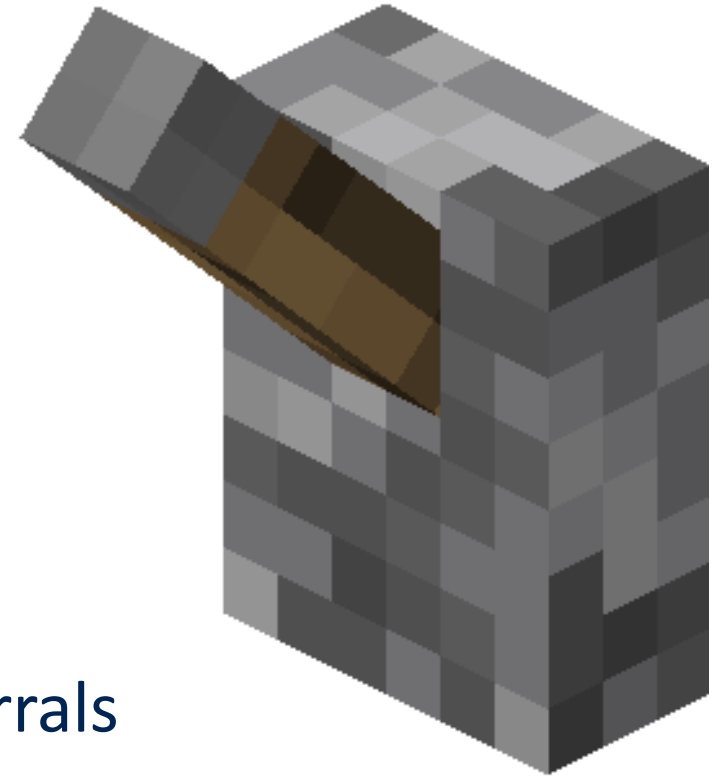
Preservation Decision Tree Considerations

- Rent Advantage
- Lack of Resources for Recapitalization
- Term of Affordability Restriction
- Physical & Financial Conditions
- Ownership Characteristics
 - GP & LPs
 - Non-Profit
 - Ten Year Rule & Related Party Rule
- Qualified Contract Formula
- Market, Mission, Impact – Stakeholder Appetite



Policy Solutions & Levers

- Availability of Volume Cap
 - Housing
 - Preservation
- Eligible Basis Constraints
 - Developer Fee (% , \$ caps, fee on acquisition)
 - Acquisition Basis Limitations
- Timing / QAP Required Recapitalization Deferrals
- Choice of Debt Products
- Rehab Requirements that Do Not Align with Financing Tools



Policy Solutions & Levers Continued

- Facilitating Economies of Scale
- Certainty of Execution & Aligning with Seller Expectations
 - Lotteries
 - Forward Allocations
- LURA Requirements and Use Restrictions
- Gap Funding
 - State Credits
 - Tax Abatements
 - Subordinate Grants/Loans



Thank You

Lincoln Avenue Communities

Lincoln Avenue Communities is a mission-driven affordable housing developer focused on preserving and creating high-quality affordable homes for families, seniors and individuals nationwide.

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Fairview Housing Partners

Fairview Housing Partners is a nonprofit organization formed for the purpose of promoting affordable housing, improving resident experiences and advocating for affordable housing through evidence-based and data driven public policy initiatives.

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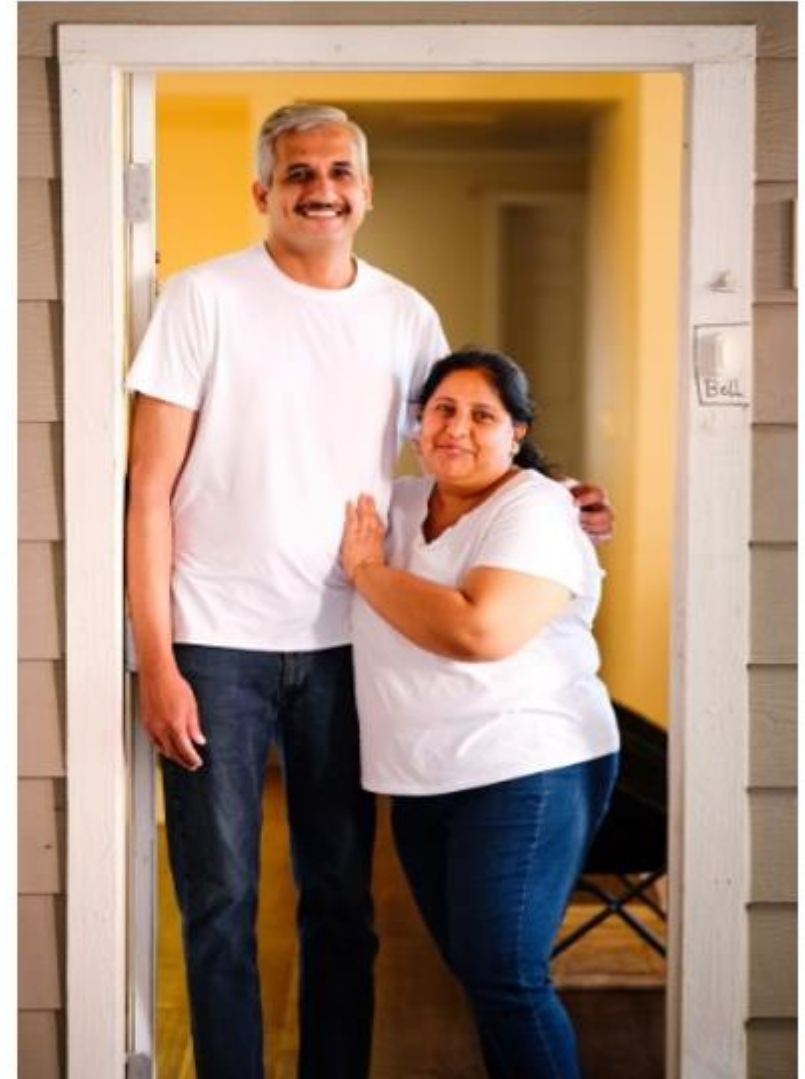
ENTERPRISE REAL ESTATE EQUITY

Over a Decade of Experience

Enterprise's first Preservation Fund was launched in 2013 in response to a gap in the capital markets and amidst a growing affordability crisis. We saw:

- **A surge in “secondary market” activity:** A growing number of affordable housing communities were being sold by their original developers but a lack of joint venture equity capital to allow best in class affordable housing operators to acquire such properties and keep them affordable.
- **A compelling risk/return profile:** The acquisition of affordable housing communities offers immediate cash-on-cash returns, limited construction risk, and greater stability and predictability as compared to other commercial real estate assets.
- **A growing affordability crisis:** A national shortage of over 7 million affordable homes, reflecting a severe supply/demand mismatch for low-income renters.

These dynamics are still at play today.





ENTERPRISE REAL ESTATE EQUITY

Investment Strategy

- Acquire subsidized (LIHTC and Section 8) and unsubsidized (market affordable and workforce) apartment communities through unique **joint venture partnerships** with adaptable equity.
- **Focus on under-valued communities** that offer opportunities for immediate operational improvement, and off market transactions or partnership restructurings that can be acquired at a discount.
- **Create value** through creative structuring, preferred equity joint ventures, property tax relief, public subsidies, green retrofits, and better management.
- **Design for impact** through preservation of affordability (80% AMI and below) and:
 - Improving quality of housing and amenities
 - Green retrofits and reducing utility consumption
 - Social services and renter upward mobility
 - Addressing resident and community health
- **Optimize disposition proceeds** through timely exits, often into subsidized structures at compelling values.



ENTERPRISE REAL ESTATE EQUITY

Cumulative Track Record

\$2.81B

TOTAL REAL ESTATE VALUE

We combine our investor capital with project level debt and other equity capital to achieve significant leverage in our investment strategy

\$936M+

INVESTOR CAPITAL COMMITMENTS

Our investor base includes a mix of banks, insurance companies, foundations, family offices and high net worth individuals

21,132+

HOMES CREATED OR PRESERVED

Through our Preservation Funds and our Opportunity Zone Funds, we have acquired or developed affordable homes at 132 communities across the country

12

YEARS

Launched in 2013 as an extension of the Housing Credit business to provide joint venture capital that allows developer partners to purchase and preserve affordable and workforce housing

21

FULL-TIME TEAM MEMBERS

The team is also supported by colleagues throughout Enterprise, ranging from Finance to Legal to Credit and others

11

FUNDS MANAGED

We have scaled the business across 11 investment funds, including core preservation funds, innovative thematic funds, a separately managed account, and Opportunity Zone Funds

ENTERPRISE REAL ESTATE EQUITY

Sample Preservation Project Proforma Near Year 30

Overview:			
<i>Property Type:</i> 100% LIHTC (2026 Expiration)			
<i>Number of Units:</i> 200+ Units			
<i>Business Plan:</i>			
<ul style="list-style-type: none"> Acquire expiring LIHTC property in a high-cost market where the property will soon be able to raise rents \$150 to market rate levels. Extend the affordability by offsetting the lower revenues through combination of property tax exemption, energy / water conservation and resident stability strategies. Assemble a variety of public resources, including new tax credits and Inflation Reduction Act sources, to finance the exit strategy to ensure an acceptable financial return <u>and</u> impact at exit. 			

Source & Uses:			
<i>Purchase Price:</i>	\$31,750,000	\$150,474	90.33%
<i>Renovations:</i>	\$1,915,748	\$9,079	5.45%
<i>Transaction Costs:</i>	\$1,483,375	\$7,030	4.22%
Total Uses:	\$35,149,123	\$166,584	100.00%
<i>First Mortgage Debt:</i>	\$21,979,731	\$104,169	62.53%
<i>County Forgivable Loan:</i>	\$1,000,000	\$4,739	2.85%
<i>GP Equity:</i>	\$2,433,878	\$11,535	6.92%
<i>Enterprise Equity:</i>	\$9,735,513	\$46,140	27.70%
Total Sources:	\$35,149,123	\$166,584	100.00%

Operating Proforma:	Prior Year	Year 1	Year 2	Year 3	Year 4	Year 5
<i>Total Income:</i>	\$3,168,241	\$3,227,017	\$3,402,802	\$3,550,404	\$3,741,744	\$3,961,590
<i>Total Expenses & RR:</i>	\$1,561,629	\$1,348,718	\$1,380,836	\$1,423,049	\$1,467,664	\$1,539,619
Net Operating Income:	\$1,606,612	\$1,878,299	\$2,021,966	\$2,127,355	\$2,274,080	\$2,421,971
<i>Debt Service:</i>	NA	\$1,565,249	\$1,565,249	\$1,565,249	\$1,565,249	\$1,565,249
<i>Below-the-Line Expenses:</i>	NA	\$108,212	\$108,647	\$109,111	\$109,588	\$84,760
Distributable Cash Flow:	NA	\$204,838	\$348,069	\$452,995	\$599,243	\$771,962

Equity Return Analysis:	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
<i>Equity Investment:</i>	(\$12,169,392)	\$0	\$0	\$0	\$0	\$0
<i>Cash From Operations:</i>	\$0	\$204,838	\$348,069	\$452,995	\$599,243	\$771,962
<i>Cash From Disposition:</i>	\$0	\$0	\$0	\$0	\$0	\$19,312,198
Net Cash Flow:	(\$12,169,392)	\$204,838	\$348,069	\$452,995	\$599,243	\$20,084,160
Internal Rate of Return:	13.22%					

Value Creation Analysis:		
<i>Value of County Forgivable Loan:</i>	\$1,000,000	Public funding for extended affordability
<i>Estimated Value Created by Tax Exemption:</i>	\$5,000,000	\$300k annual tax savings at 6% cap rate
<i>Estimated Value Created by Energy/Water Retrofits:</i>	1,250,000	15% reduction in cost at 6% cap rate
<i>Estimated Value Created by 1% Occupancy Improvement:</i>	\$617,000	1% occupancy improvement at 6% cap rate
<i>Estimated Value Created by Reducing Turnover from 20% to 15%:</i>	\$633,000	\$1,200 per unit turnover cost at 6% cap rate
Sum of Estimated Value Creation:	\$8,500,000	
Estimated Foregone Value of Market Rate Conversion:	(\$6,000,000)	Value of \$150 rent premium at 6% cap rate


\$2,500,000 represents the value created by our strategy compared to a pure market rate conversion