



# Strategic Housing Credit Development Siting

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# LIHTC Developments in Opportunity Zones



OPPORTUNITY ZONE

- The Case for Combining LIHTCs and OZ Incentive
- LIHTC Investing to Date
- Allocating Agency Considerations

# The Case for Combining LIHTC with Opportunity Zones



**OPPORTUNITY ZONE**

- The Goal:
  - Better equity pricing
  - More investors
  - More housing
- Structurally Compatible:
  - Based on equity investments
  - Rental real estate
    - New construction
    - Substantial Improvement
  - 5-7-10 year holds/15 year hold
  - Existing capital raising and deployment infrastructure

# The Case for Combining LIHTC with Opportunity Zones



- Challenges:
  - Banks and capital gains
  - Timing
    - Gains recognition
    - Property level funding needs
- Treasury Guidance
  - Fund level reserves
  - Residential rental real estate
  - Gain - negative capital account
  - Multi-property funds

# Status of Raising Equity for LIHTC Developments in Opportunity Zones



- Existing investors dominated by banks
  - Amount and access to capital gains
- Existing funds being formed
  - Focus on nonbank investors
- LIHTC/OZ investments made to date

# The Future of Allocation: Considering OZ



- Pricing still developing
  - Two tier pricing levels
- Market Considerations:
  - Non LIHTC OZ Rental Housing Construction
  - Effect of other OZ equity investments

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