

HOUSING TAX CREDIT MONITOR

March 2023

Evolving market dynamics shine a light on resident services and amenities

- Whether it be the emergence of environmental, social, and governance (ESG) concerns, impact investing, or purely renewed state-by-state attention to what affordable housing properties should offer their residents, CohnReznick has observed an increased focus on the resident services and community amenities being offered at prospective housing credit investment properties.
- While some mission-oriented developers aim to include resident services at all their developments, others forgo this add-on. CohnReznick's analysis of 2023 qualified allocation plan and application documentation confirmed that depending on the state in question, service provision, in addition to benefiting residents, can be a material component of the competitive credit allocation process.
 - At least 47 states award additional points for providing resident services to tenants and/or award bonus points for committing to either provide supportive housing units or set aside units for Special Needs residents. In each case, resident or supportive services are an additional requisite to receiving points. The impact of the additional service provision varies relative to the overall possible points within each state's application.
 - In states that do not award additional points for service provision, either a separate unscored consideration pool is offered in which services are part of the narrative, or the scope of services offered is used as a tiebreaking measure.
- Because of the highly competitive allocation process, developers should consider modifying their development plans to maximize each state's potential pool of service-related points. Not only would this make a property more likely to receive an allocation, but it also may align with a prospective investor's ESG goals or investment approach.
- While resident service offerings can often be paired with a nonprofit provider and structured such that no cost is passed on to the property, Special Needs properties often require more extensive supportive service offerings that can be difficult to make work in an operating budget.
- By virtue of the populations they serve, Special Needs properties (in addition to offering supportive services) have the most extensive and costly resident service and community amenity offerings. Indeed, CohnReznick data showed that Special Needs properties exhibited significantly higher administrative, salary, repair and maintenance, and utility expenses than family or senior properties. The higher expense can depress operating performance relative to other tenancy types if not accounted for during initial underwriting.
- Perhaps due to this additional structuring and underwriting challenge, Special Needs properties historically have accounted for a small portion of the national LIHTC portfolio.
- Should we expect evolving QAP scoring, proactive developer structuring, and investor demands to stimulate the development of more service-enriched properties? It is certainly possible, as the definition of affordable housing, who it is designed to serve, and the amenities it should offer continues to evolve.

CURRENT NATIONAL MULTI-INVESTOR FUNDS

Syndicator / Fund Name	Estimated Fund Size (millions)	After-Tax Cash Needs IRR	Net Equity Price	Target Closing
Boston Financial Boston Financial ITC 58	\$160	3.71% - 7.00%	\$0.82 - \$0.96	March 2023
CREA CREA Emerging Developer Fund	\$45	5.00%	TBD	June 2023
Enterprise EHP 41	\$250	TBD	TBD	June 2023
Hunt Hunt Capital Partners 49	\$165	TBD	TBD	May 2023
Marble Cliff Capital MCC Community Equity Fund 3	\$100	5.00% - 6.50%	\$0.82 - \$0.91	September 2023
Merchants Capital Tax Credit Equity Fund 14	\$299	6.25% - 7.25%	\$0.885	May 2023
NDC NDC Corporate Equity Fund XIX	\$110	4.75%	TBD	June 2023
PNC Real Estate PNC LIHTC Fund 87, LLC	\$175	TBD	TBD	June 2023
R4 Capital R4 Housing Partners XIX LP	\$235	TBD	TBD	TBD
Raymond James RJTCF 51	\$450	TBD	TBD	February 2023
Red Stone Equity Partners Fund 99 Limited Partnership	\$175	4.35% - 7.10%	TBD	April 2023
Regions Affordable Housing Corporate Partners Fund 59	\$150	TBD	TBD	July 2023
Richman USA 150	\$250	TBD	TBD	June 2023
WNC Institutional Tax Credit Fund 54	\$165	5.33% - 7.40%	\$0.866	March 2023

*Fund data above is from CohnReznick's February 2023 survey. Median pricing reported was \$0.87 among 137 properties surveyed.

CURRENT REGIONAL MULTI-INVESTOR FUNDS

Syndicator / Fund Name	Region	Estimated Fund Size (millions)	After-Tax Cash Needs IRR	Net Equity Price	Target Closing
CAHEC Community Equity Fund XXVIII	Southeast and Mid-Atlantic	\$150	TBD	TBD	July 2023
Cinnaire Cinnaire Fund 39	Midwest	\$140	4.00% - 7.25%	TBD	May 2023
Cinnaire Ubuntu Equitable Access Fund	Midwest	\$60	4.75%	TBD	March 2023
Enterprise EHCF 9	CA	\$120	TBD	TBD	August 2023
Evernorth Housing New England, Fund IV LP	ME, VT, NH	\$75	5.33%	\$0.83 - \$0.92	March 2023
Merritt Fund 24	CA	\$175	TBD	TBD	September 2023
Midwest Housing Equity Group MHEG 57	Midwest	\$150	TBD	TBD	June 2023
Raymond James CAHOF 12	CA	\$175	TBD	TBD	April 2023
RBC Community Investments RBC CA Fund-8	CA	\$102	4.50% - 6.00%	\$0.885 - \$1.01	February 2023
WNC Fund X California Series 20, L.P.	CA	\$150	6.00% - 7.00%	\$0.9306	August 2023

Equity-weighted Average	Net Equity Price	Projected After-Tax IRR
National Funds	\$0.883	5.87%
State Regional Funds excluding CA	\$0.888	5.98%
California Funds	\$0.948	5.25%

Note: All fund data was provided by fund sponsors and compiled by CohnReznick. Neither CohnReznick nor the Tax Credit Advisor takes responsibility for the accuracy of the data represented by the sponsors. If you would like a fund included in the next Housing Tax Credit Monitor, please contact TCIS@cohnreznick.com or 617.648.1414 to speak with a professional with CohnReznick's Tax Credit Investment Services practice. Visit CohnReznick's website at cohnreznick.com.