CohnReznick HOUSING TAX CREDIT MONITOR January 2018

# Year-end Race to Close Bond Deals

As of mid-Dec 2017, the uncertainty surrounding the continuation of private activity bonds (PABs) for use in developing multifamily housing credit properties still left many industry players scrambling to close 4% LIHTC investments by year-end.

Based on CohnReznick's review of lower tier investment closings in the fourth quarter of 2017, the industry was focused on preserving the production of LIHTC projects that had a PAB reservation letter in place from a state bond agency and corresponding 'as-of-right' allocation of non-competitive 4% LIHTCs. In those cases, lower tier investment closings assumed the PAB would be issued and fully funded with the trustee at closing, and proceeds would be fully drawn down prior to year-end to eliminate any uncertainty. In cases where the impetus of tax reform may have precipitated the lower tier closing, interest expense increases (which, in some cases, could be quite significant) were mitigated by additional deferred developer fee or the resizing of reserves.

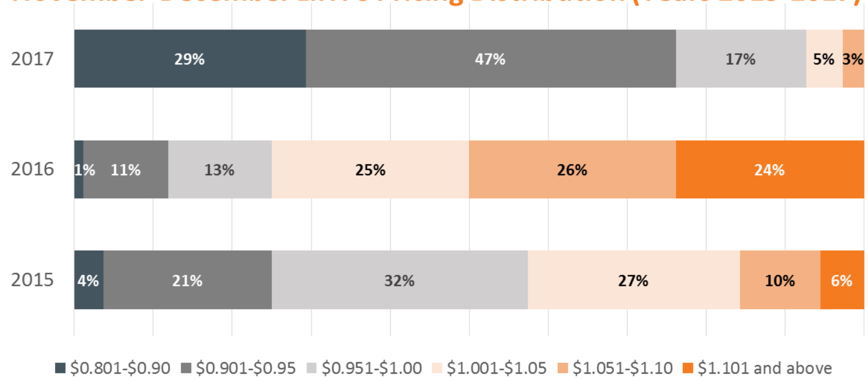
We observed that housing credit investors, generally speaking, tolerated the specification of 4% LIHTC investments due to close in 2018 in 2017 year-end multi-investor fund closings; no repricing of these deals was contemplated. Typically, fund-level operating partnership agreements include some "best efforts" provision to locate a replacement transaction(s) of comparable LIHTC equity amount(s) in the same geographic footprint, providing comfort if the House provision to eliminate PABs was preserved.

As of the date of this writing, the industry appeared hopeful that PABs, which are responsible for producing 50% of the much needed affordable housing units, will be retained in the new reconciled version of the Tax Cuts and Jobs Act.

## Housing Credit Pricing Update

- The pricing update graph below represents the distribution of lower tier pricing for participating syndicators in the last 60 days based on 109 properties.
- The median reported housing credit price in the last 60 days was **$0.940** cents across 109 deals, which increased slightly from the November 2017 survey.
- Comparing to previous years' surveys at the same period, **more** properties have the equity price in the range of **$0.901-$0.95**, and **fewer** properties are in the higher ranges from **$0.951 and above**. The pricing distribution has clearly shifted downward since this point in 2016.

## November-December LIHTC Pricing Distribution (Years 2015-2017)




## Current Multi-Investor Funds

| Syndicator / Fund Name | Region | Estimated Fund Size (millions) | After-Tax Cash Needs IRR | Net Equity Price | Target Closing |
|---|---|---|---|---|---|
| **Alliant***** Fund 92 | National | $150 | 4.0% - 5.0% | $0.92 | Q2 2018 |
| **BFIM** ITC 48 | National | $118 | 5.0% - 6.0% | TBD | March 2018 |
| **Boston Capital** BCCTC Fund 44 | National | $144 | TBD | $0.92 | December 2017 |
| **Boston Capital** California Fund VII | CA | $90 | 5.0% | $0.97 | December 2017 |
| **Cinnaire** Fund 33 | MI, IN, IL, WI, MN | $60 | 5.25% - 6.0% | $0.90 | Q1 2018 |
| **Cinnaire** Mid-Atlantic Fund 4 | DE, ME, PA, NJ | $30 | 4.0% | $1.00 | Q2 2018 |
| **CREA** Fund 57 | National | $199 | 4.5% - 6.0% | TBD | December 2017 |
| **CREA** California Fund 58 | CA | $95 | 5.0% | TBD | February 2018 |
| **MHEG**** MHEG Fund 50 | Midwest | $175 | TBD | TBD | September 2018 |
| **MHIC** MHEF XXIV | CA | $65 | 4.25% | TBD | June 2018 |
| **NDC** Fund XIV | National | $75 | 5.0% | $0.90 | TBD |
| **PNC** Fund 66 | National | $122 | TBD | $0.92 | December 2017 |
| **R4** Fund IX | National | $175 | TBD | TBD | January 2018 |
| **R4** CA Fund IV | CA | $75 | TBD | TBD | April 2018 |
| **Raymond James** CAHOF VI | CA | $125 | TBD | TBD | January 2018 |
| **Raymond James** RJTCF 43 | National | $200 | TBD | TBD | February 2018 |
| **WNC** Fund 44 | National | $125 | 6.0% | $0.90 | Q1 2018 |
| **WNC** CA Fund 10 | CA | $100 | 5.25% | $0.98 | Q1 2018 |

** Unless otherwise noted, all upper tier IRRs are modeled assuming a 25% corporate tax rate.*
*** Alliant Tax Credit Fund 92 and MHEG MHEF XXIV are funds modeled at a 20% corporate tax rate.*

| Equity-weighted Average | Net Equity Price | Projected After Tax IRR |
|---|---|---|
| National Funds | $0.92 | 5.24% |
| State Regional Funds (excluding CA) | $0.93 | 4.73% |
| California Funds | $0.97 | 5.09% |

Note: In calculating the equity-weighted average net equity price and projected after-tax IRR, tiered pricing and IRR data were averaged for those funds who reported a range. 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 in CohnReznick's Tax Credit Investment Services practice. Please visit CohnReznick's website at www.cohnreznick.com.