

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.

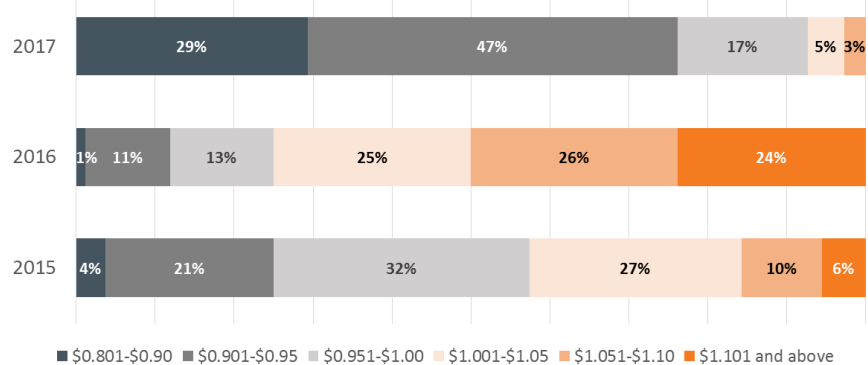
We observed that housing credit investors, generally speaking, tolerated the specification of 4% LIHTC investments due to close in 2018 in 2017 year-end multi-investor fund closings; no repricing of these deals was contemplated. Typically, fund-level operating partnership agreements include some "best 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 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

Syndicator / Fund Name	Region	Estimated Fund Size (millions)	After-Tax Cash Needs IRR	Net Equity Price	Target Closing
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

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%

* 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.

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.