Tax Exempt Bonds & State Credit Update

for NH&RA COVID-19 Member Town Hall

Peter Lawrence
Novogradac Consulting LLP
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July 9, 2020

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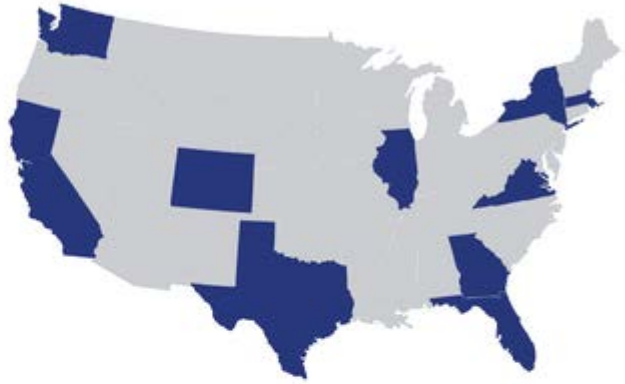
Multifamily Housing Highlights
from the 2018 CDFA Annual PAB Volume Cap Report

$14.7 billion

total **private activity bonds** issued for **multifamily housing** in 2018

States that report issuing the **largest amounts** of private activity bonds in **2018** for **multifamily housing**...

1. Calif. $4.00 billion
2. N.Y. $1.82 billion
3. Texas $780 million
4. Ill. $625 million
5. Ga. $557 million
6. Wash. $549 million
7. Fla. $530 million
8. Mass. $515 million
9. Colo. $450 million
10. Va. $418 million



Multifamily Housing Highlights
from the CDFA Annual Volume Cap Report

$15.3 billion

total **private activity bonds** issued for **multifamily housing** in 2017

...compared to those states that reported issuing the largest amounts of private activity bonds in **2017** for multifamily housing.

1. Calif. $3.35 billion
2. Ill. $2.55 billion
3. N.Y. $1.95 billion
4. Texas $968 million
5. Wash. $931 million
6. Ga. $641 million
7. Fla. $541 million
8. Colo. $539 million
9. Mass. $476 million
10. Minn. $358 million

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Comparatively, there are
11 states
that report issuing **$0** for multifamily housing in 2017 and...

all states
reported their multifamily housing bond volumes in 2017.

Source: CDFA Annual Volume Cap Report; Novogradac & Company LLP

NOVOGRADAC & COMPANY LLP

Comparatively, there are
6 states
that report issuing **$0** for multifamily housing in 2018 and...

2 states
not reporting their multifamily housing bond volumes in 2018.

Source: 2017 and 2018 CDFA Annual PAB Volume Cap Reports; Novogradac

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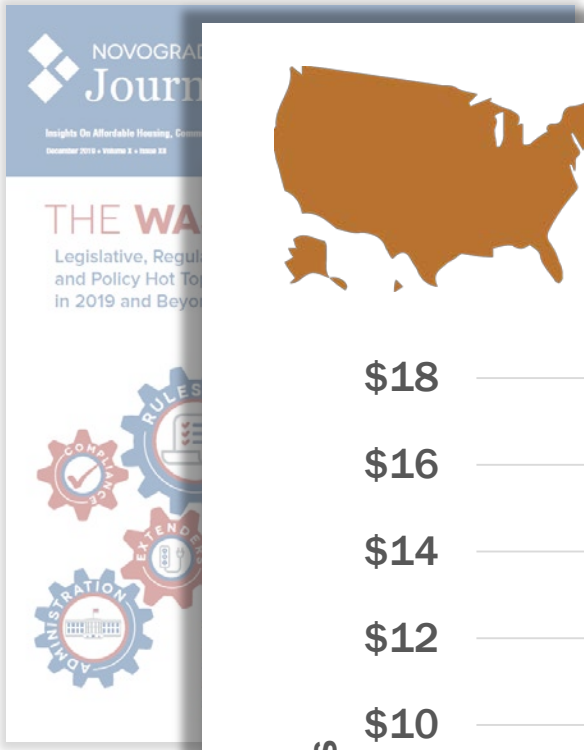
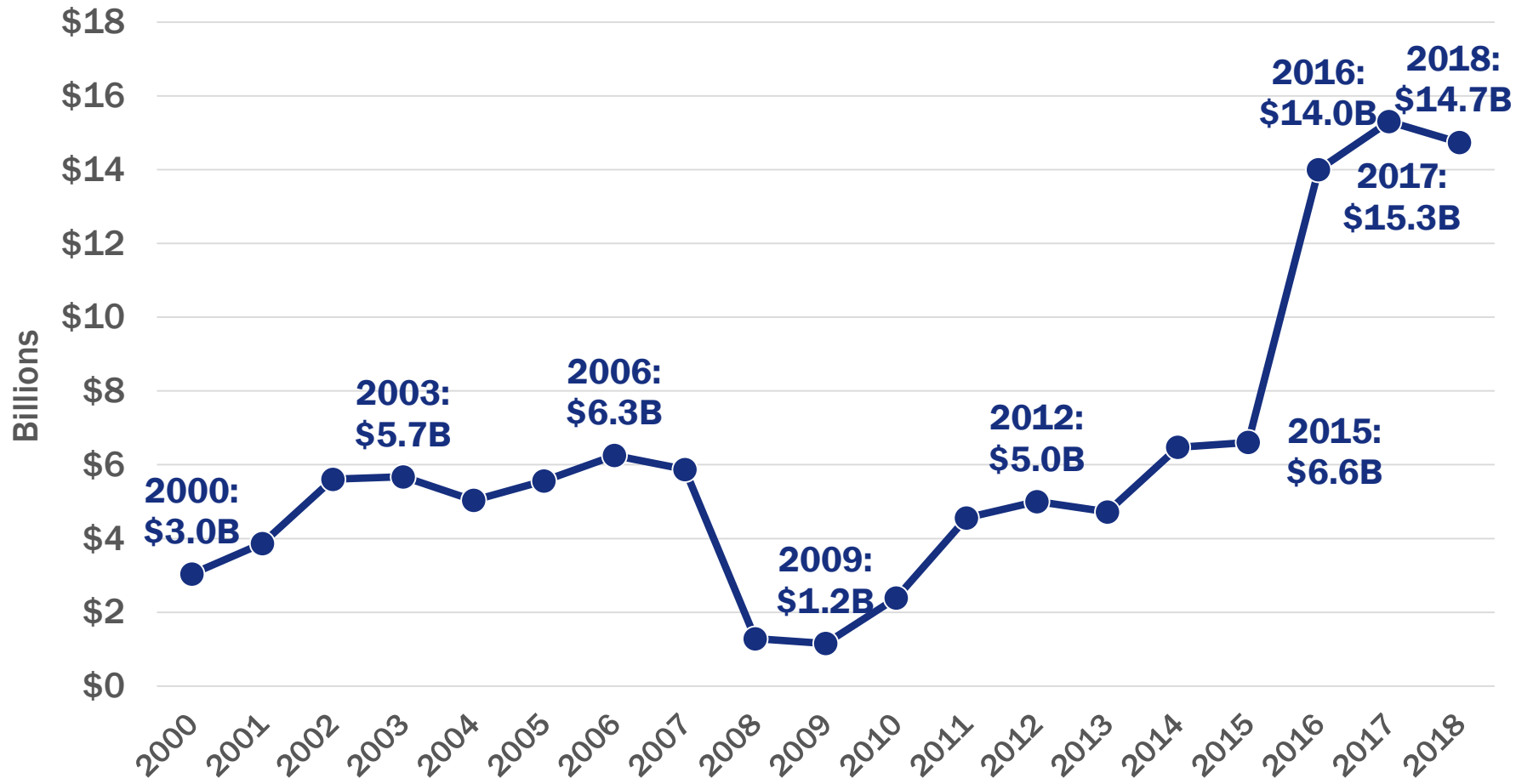


National Rental Housing Bond Use More than Doubles Since 2015



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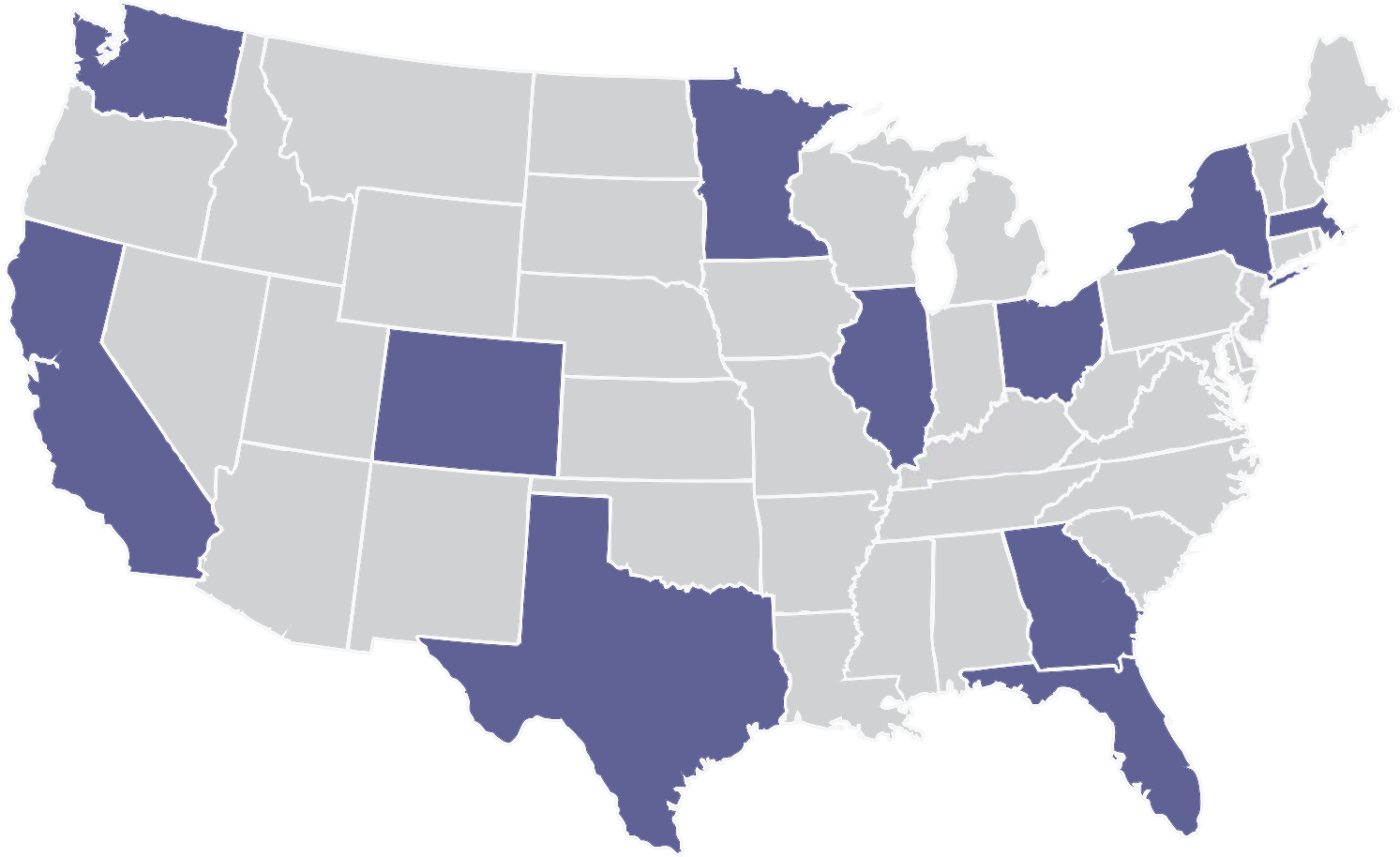
11 States, More than 75% of MF Bonds Issued

CA, CO, FL, GA, IL, MA, MN, NY, OH, TX, WA

From 2016 to 2018: $33,644,430,000 out of $44,042,040,000 in total multifamily issuance



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Multifamily Issuance for the 11 States, 2016-18

	2016	2017	2018	Total 2016-2018
California	$4,658,240,000	$3,350,000,000	$4,001,810,000	$12,010,050,000
New York	$2,127,400,000	$1,948,600,000	$1,819,000,000	$5,895,000,000
Illinois	NR	$2,554,300,000	$625,000,000	$3,179,300,000
Washington	$865,820,000	$930,800,000	$549,320,000	$2,345,940,000
Texas	$578,830,000	$968,300,000	$780,130,000	$2,327,260,000
Florida	$457,610,000	$541,200,000	$530,030,000	$1,528,840,000
Ohio	$1,118,220,000	$226,200,000	$146,590,000	$1,491,010,000
Massachusetts	$435,000,000	$476,000,000	$515,000,000	$1,426,000,000
Georgia	$188,290,000	$640,800,000	$557,080,000	$1,386,170,000
Colorado	$372,400,000	$539,100,000	$450,360,000	$1,361,860,000
Minnesota	$413,000,000	$357,600,000	$364,580,000	$1,135,180,000
Total	**$11,214,810,000**	**$12,532,900,000**	**$10,338,900,000**	$33,644,430,000

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Multifamily Issuance for the 11 States, 2016-18

	2016	% of Cap	2017	% of Cap	2018	% of Cap
California	$4,658,240,000	119.00%	$3,350,000,000	85.35%	$4,001,810,000	96.40%
New York	$2,127,400,000	107.47%	$1,948,600,000	98.69%	$1,819,000,000	87.28%
Illinois	NR	n/a	$2,554,300,000	199.52%	$625,000,000	46.50%
Washington	$865,820,000	120.75%	$930,800,000	127.72%	$549,320,000	70.64%
Texas	$578,830,000	21.07%	$968,300,000	34.75%	$780,130,000	26.25%
Florida	$457,610,000	22.57%	$541,200,000	26.26%	$530,030,000	24.06%
Ohio	$1,118,220,000	96.29%	$226,200,000	19.48%	$146,590,000	12.57%
Massachusetts	$435,000,000	64.02%	$476,000,000	69.88%	$515,000,000	71.50%
Georgia	$188,290,000	18.43%	$640,800,000	62.15%	$557,080,000	50.87%
Colorado	$372,400,000	68.25%	$539,100,000	97.29%	$450,360,000	76.49%
Minnesota	$413,000,000	75.23%	$357,600,000	64.78%	$364,580,000	62.26%

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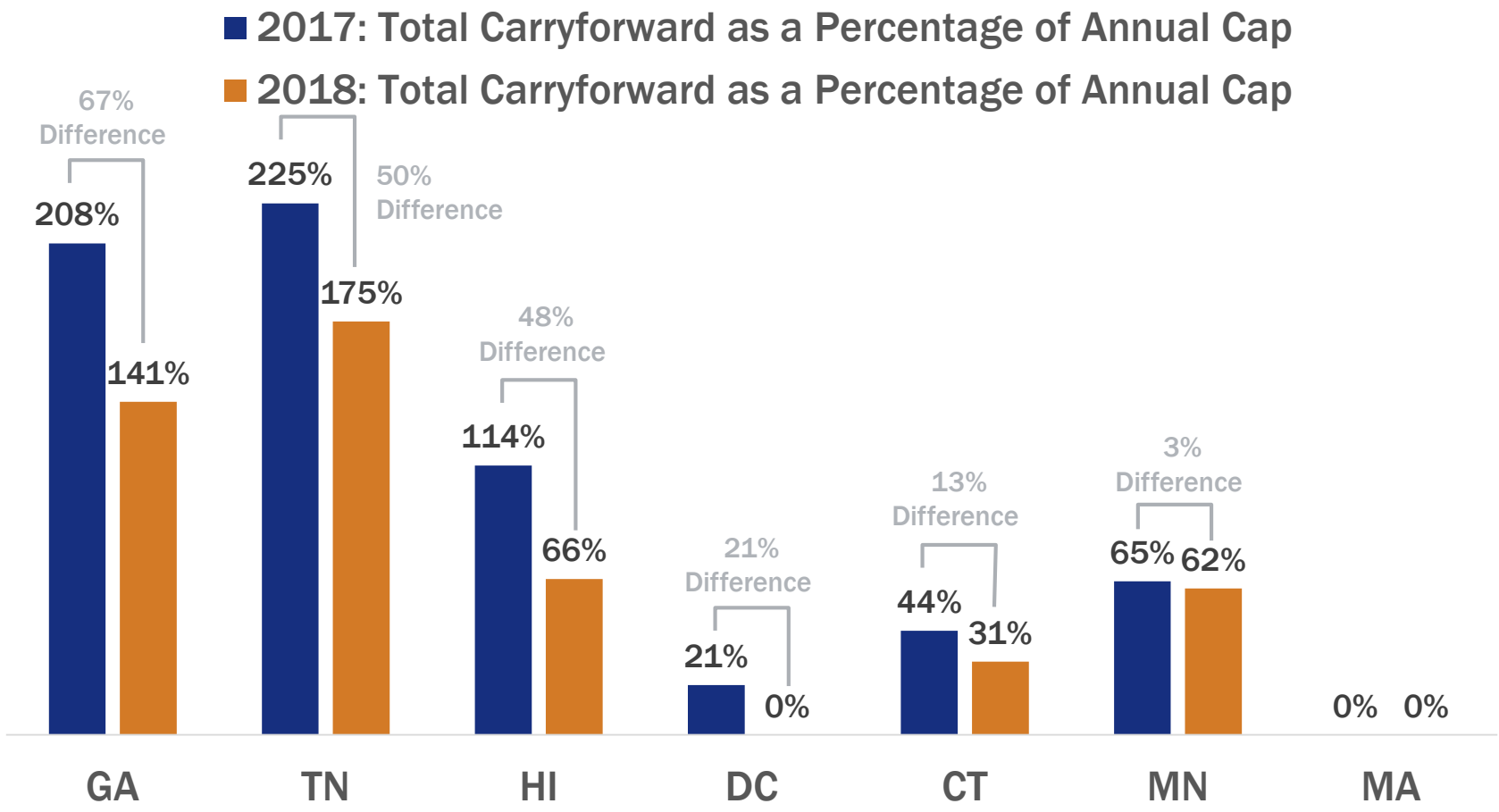
Reduction in Carryforward



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Existing and Proposed State LIHTCs

- 16 existing state LIHTCs,
- 6 states with proposed state LIHTCs, and
- 28 states and DC without any (eight of those states—Alaska, Florida, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming—have no state income tax)

Top Ten States	Estimated Tax Credits Available in 2020
California	$601,753,553
Georgia	$29,700,000
Illinois	$23,620,968
Nevada	$10,000,000
Colorado	$10,000,000
Connecticut	$10,000,000
New York	$8,000,000
Wisconsin	$7,000,000
Oklahoma	$4,000,000
Utah	$1,090,581

MORE INFO

novoco.com/resource-centers/affordable-housing-tax-credits/application-allocation/state-lihtc-allocating-agencies/2020-state-tax-credit-information

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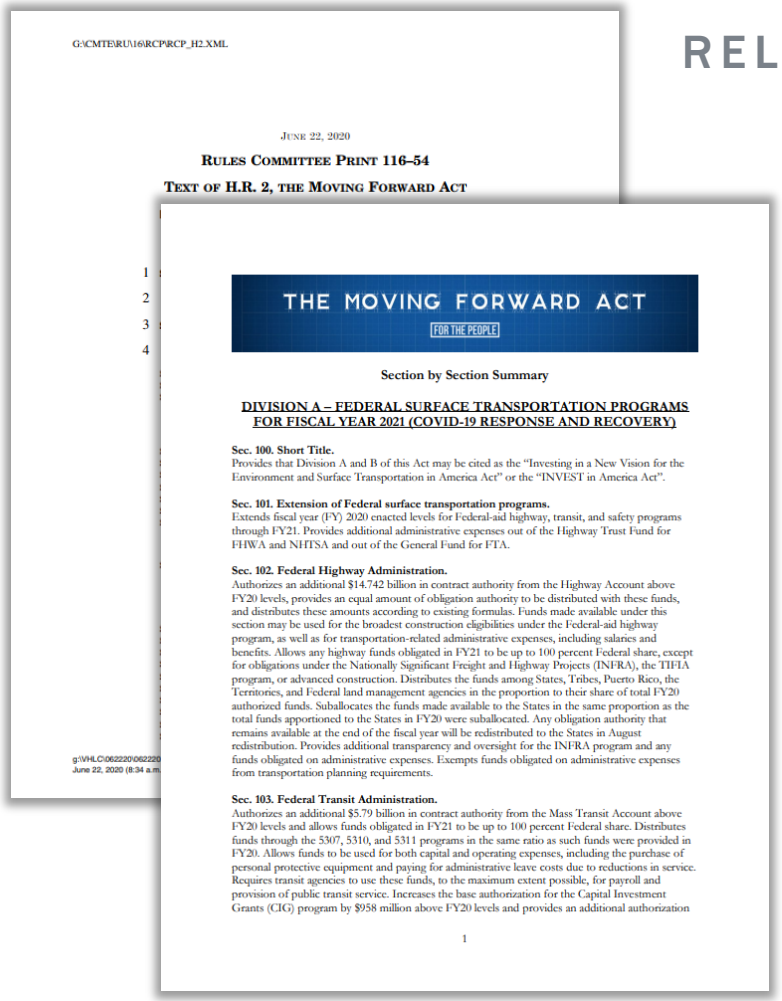
H.R. 2: The Moving Forward Act

RELEASED JUNE 22, 2020



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JUNE 22, 2020

RULES COMMITTEE PRINT 116–54

TEXT OF H.R. 2, THE MOVING FORWARD ACT

THE MOVING FORWARD ACT

FOR THE PEOPLE

Section by Section Summary

DIVISION A – FEDERAL SURFACE TRANSPORTATION PROGRAMS FOR FISCAL YEAR 2021 (COVID-19 RESPONSE AND RECOVERY)

Sec. 100. Short Title.
Provides that Division A and B of this Act may be cited as the "Investing in a New Vision for the Environment and Surface Transportation in America Act" or the "INVEST in America Act".

Sec. 101. Extension of Federal surface transportation programs.
Extends fiscal year (FY) 2020 enacted levels for Federal-aid highway, transit, and safety programs through FY21. Provides additional administrative expenses out of the Highway Trust Fund for FHWA and NHTSA and out of the General Fund for FTA.

Sec. 102. Federal Highway Administration.
Authorizes an additional $14.742 billion in contract authority from the Highway Account above FY20 levels, provides an equal amount of obligation authority to be distributed with these funds, and distributes these amounts according to existing formulas. Funds made available under this section may be used for the broadest construction eligibilities under the Federal-aid highway program, as well as for transportation-related administrative expenses, including salaries and benefits. Allows any highway funds obligated in FY21 to be up to 100 percent Federal share, except for obligations under the Nationally Significant Freight and Highway Projects (INFRA), the TIFIA program, or advanced construction. Distributes the funds among States, Tribes, Puerto Rico, the Territories, and Federal land management agencies in the proportion to their share of total FY20 authorized funds. Suballocates the funds made available to the States in the same proportion as the total funds apportioned to the States in FY20 were suballocated. Any obligation authority that remains available at the end of the fiscal year will be redistributed to the States in August redistribution. Provides additional transparency and oversight for the INFRA program and any funds obligated on administrative expenses. Exempts funds obligated on administrative expenses from transportation planning requirements.

Sec. 103. Federal Transit Administration.
Authorizes an additional $5.79 billion in contract authority from the Mass Transit Account above FY20 levels and allows funds obligated in FY21 to be up to 100 percent Federal share. Distributes funds through the 5307, 5310, and 5311 programs in the same ratio as such funds were provided in FY20. Allows funds to be used for both capital and operating expenses, including the purchase of personal protective equipment and paying for administrative leave costs due to reductions in service. Requires transit agencies to use these funds, to the maximum extent possible, for payroll and provision of public transit service. Increases the base authorization for the Capital Investment Grants (CIG) program by $958 million above FY20 levels and provides an additional authorization

1

S. _____

IN THE SENATE OF THE UNITED STATES

A BILL

S. 4078, Emergency Affordable Housing Act of 2020, released on June 25, 2020
Does not include PAB cap increase

Provisions include:

- Minimum 4 percent rate
- Increase annual LIHTC allocation amount
  - From $2.81 per capita to $4.56 per capita, from $3,217,500 to $5,214,051 for the small state minimum
- Temporarily reduce the 50 percent test for bond-financed housing
- Extend program deadlines
- Allow for an accelerated credit to help address challenges caused by COVID-19 crisis
- Expand PABs
- Additional $100 billion in funding for affordable housing, including $5 billion in HOME funding
- Authorize Neighborhood Investment Tax Credit
- Expand and extend NMTC and HTC

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FUTURE OF THE BILL?

2020 and 2021

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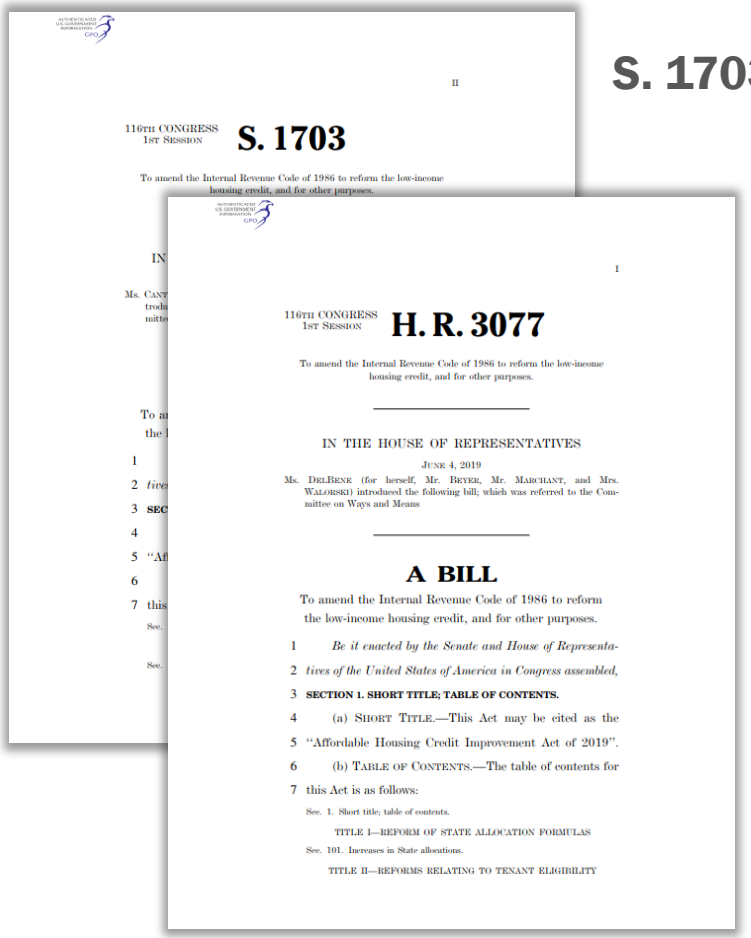
Affordable Housing Credit Improvement Act



116TH CONGRESS 1ST SESSION **S. 1703**

To amend the Internal Revenue Code of 1986 to reform the low-income housing credit, and for other purposes.

116TH CONGRESS 1ST SESSION **H. R. 3077**

To amend the Internal Revenue Code of 1986 to reform the low-income housing credit, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 4, 2019

Ms. DELBENE (for herself, Mr. BEYER, Mr. MARCHANT, and Mrs. WALORSKI) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to reform the low-income housing credit, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Affordable Housing Credit Improvement Act of 2019".

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—REFORM OF STATE ALLOCATION FORMULAS

Sec. 101. Increases in State allocations.

TITLE II—REFORMS RELATING TO TENANT ELIGIBILITY

As of July 3, 2020

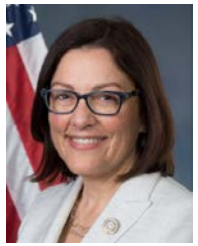
S. 1703: 11R 25D 2I | H.R. 3077: 75R 145D

CANTWELL
D-WA

YOUNG
R-IN

WYDEN
D-OR

ISAKSON
R-GA



DELBENE
D-WA

MARCHANT
R-TX

BEYER
D-VA

WALORSKI
R-IN

50 percent increase

Income averaging

Minimum 4 percent rate

+ about 20 other provisions and ***six new provisions***

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Impact of Minimum 4 Percent Rate

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- Additional Rental Homes from Four Percent Floor: **126,000**
- Updated estimate based on revised baseline of **PAB-financed rental homes**

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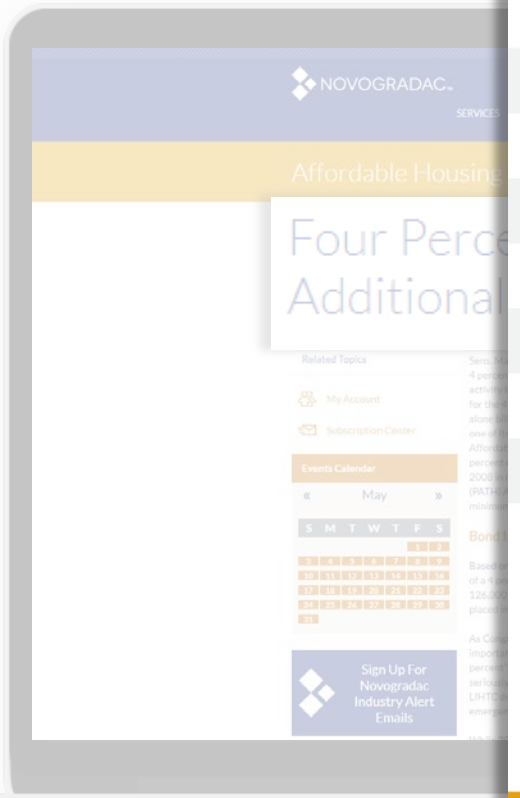

Financing a Typical LIHTC Property with Tax-Exempt Bonds

100 unit property

	With 4 Percent Floor	Without 4 Percent Floor	
Total Project Costs	$16,250,000	$16,250,000	
LIHTC Eligible Costs	$15,000,000	$15,000,000	
LIHTC Rate	**4.00%**	**3.08%**	May 2020 rate
Calculate Annual LIHTCs	$600,000	$462,000	
Total LIHTCs for Syndication	$6,000,000	$4,620,000	
LIHTC Price per Credit Dollar	$0.90	$0.90	Market determined equity price
LIHTC Equity	**$5,400,000**	**$4,158,000**	**23% less equity** without the 4 percent floor
Tax-Exempt Bond Financing	$9,425,000	$9,425,000	
Percentage of Tax-Exempt Bond Financing*	58%	58%	
Soft and/or Taxable Bond Financing	$750,000	$750,000	
Deferred Developer Fee	$675,000	$675,000	
Total Sources	**$16,250,000**	**$15,008,000**	Dollar gap of **$1,242,000**

*At least 50 percent of the aggregate basis must be financed by tax-exempt private activity bonds in order to receive 4 percent LIHTC on 100 percent of the eligible basis.

Source: Novogradac

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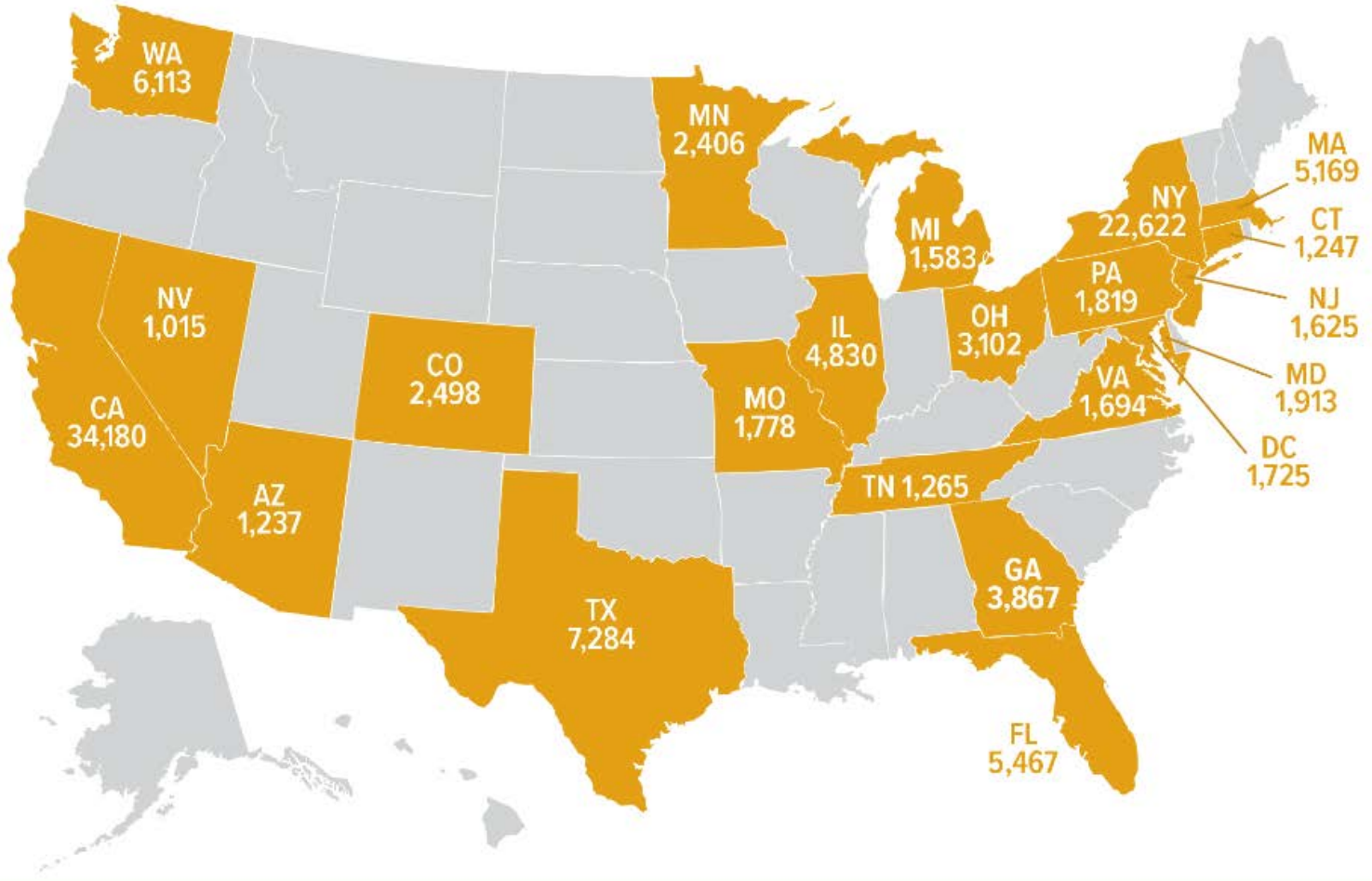
Selected State Estimates from the Minimum 4 Percent Rate

Additional Homes from the Minimum 4% Rate, 2020-2029



Source: Novogradac

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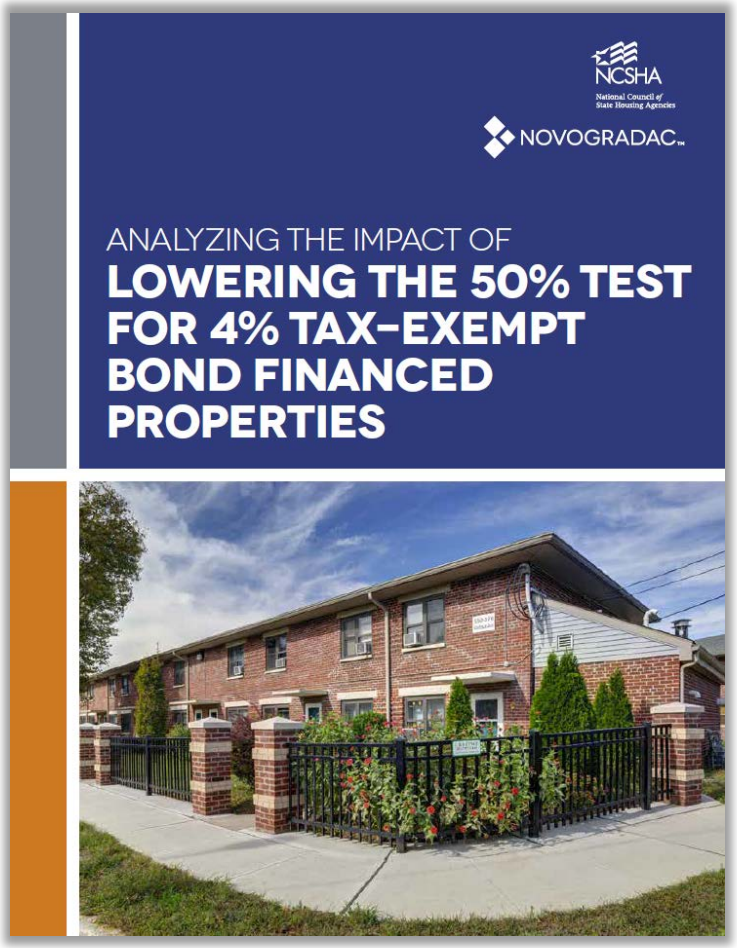

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> "The analysis determined that lowering the financed by test for PAB test from the current law threshold of 50% to 40% would "free" nearly $37.5 billion in PAB cap over 2021-30 that could be allocated for more affordable rental housing or other PAB-eligible uses."

Totals over 2021-2030

	40 Percent Test	33 Percent Test	25 Percent Test
"Freed" Bond Cap	$37.5 billion	$63.7 billion	$93.7 billion
Additional Homes Financing Capacity			
50 percent scalable gap financing	177,665 homes	366,098 homes	710,660 homes
100 percent scalable gap financing	355,330 homes	732,195 homes	1,421,320 homes

Sources: Novogradac

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Impact of Basis Boost Provisions

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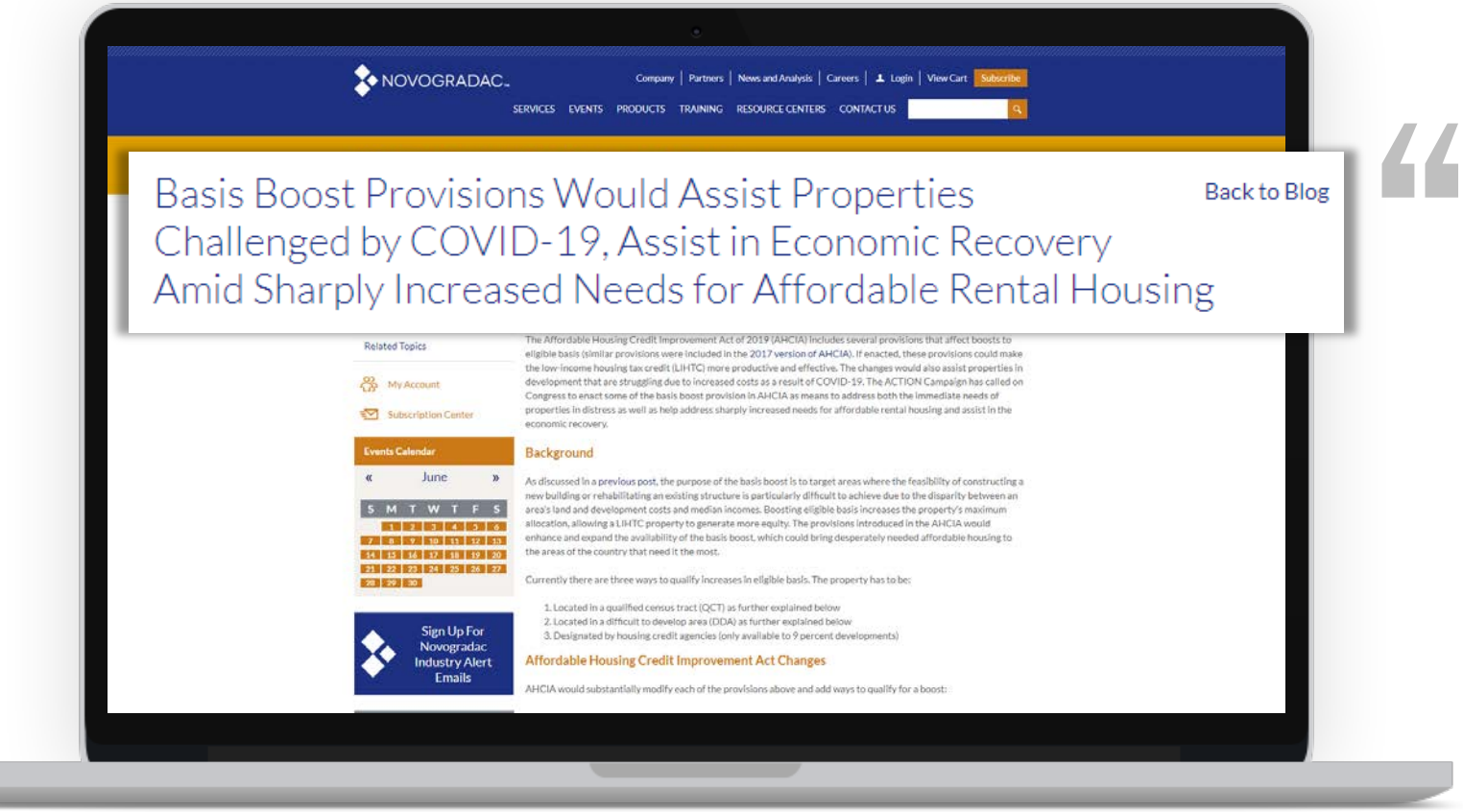

> "The provisions introduced in the AHCIA would enhance and expand the availability of the basis boost, which could bring desperately needed affordable housing to the areas of the country that need it the most."

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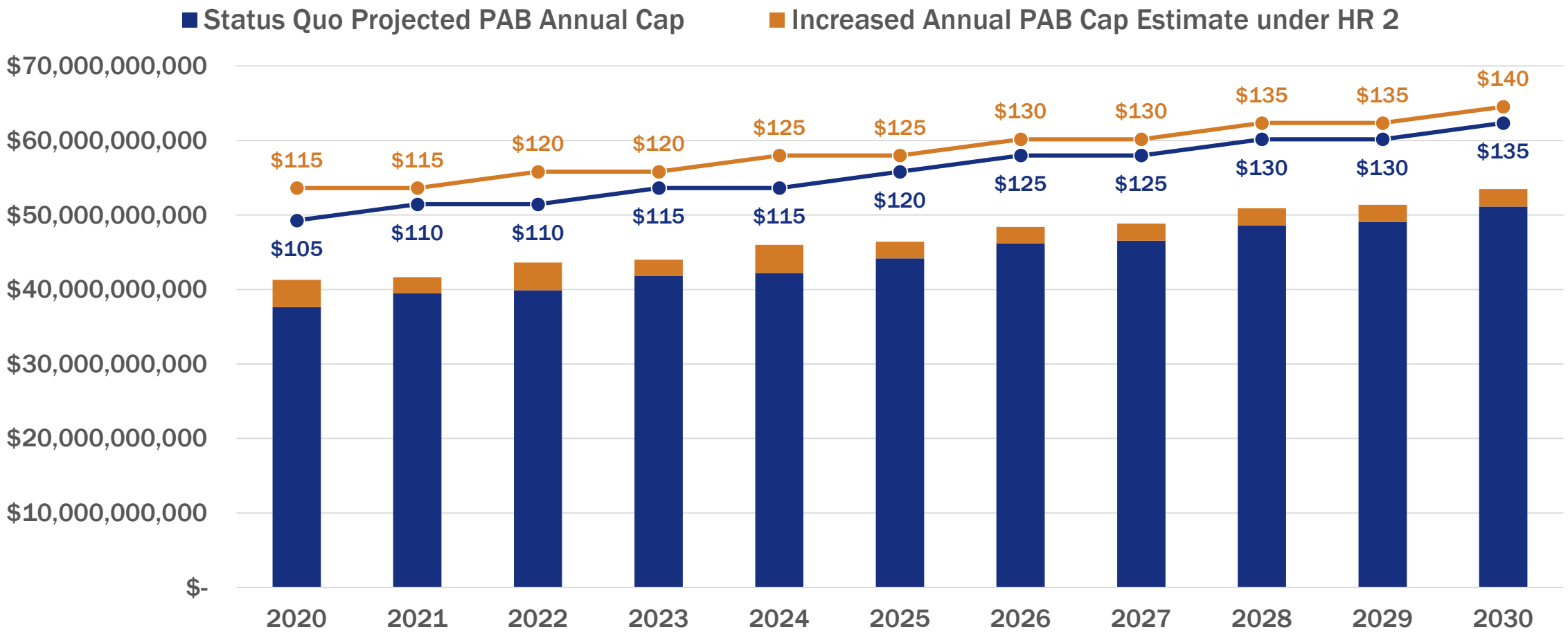
PAB Annual Cap Estimate under H.R. 2

Increased annual PAB cap over 2020-30: $29.2 billion
Increased MF PAB issuance over 2020-30: $11.7 billion



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DISCUSSION DRAFT BILL:

Pandemic Response Housing Bond Act

PANDEMIC RESPONSE HOUSING BOND ACT

The Pandemic Response Housing Bond Act enables our nation's housing bond program to best respond to the Coronavirus Pandemic by updating the Mortgage Revenue Bond and Mortgage Credit Certificate programs by permitting troubled borrowers to refinance their mortgages to more affordable loans, by permitting homeowners to make home improvements such as ramps and accessible bathrooms so family members can age in place and by streamlining outdated program requirements, and otherwise improving them so that Housing Finance Agencies will be better able to assist low- and moderate-income first-time home buyers and homeowners.

PROVISION	ISSUE	PROPOSAL
IRS Reporting Requirements for Private Activity Bond (PAB) Usage (Section 2)	When a bond-issuing entity within a state uses PAB authority for any eligible purpose under the cap, it must file Form 8038 with the Internal Revenue Service (IRS) providing the purpose and the amount of authority it used. Through this process, IRS is able to know how bond authority is being used and whether a state has unused bond cap expiring before the end of the three-year carryforward period. There currently is no requirement that IRS consolidate this information and report it to Congress. Such information would be useful to Congress as it considers policies related to PABs.	Provide greater transparency by requiring IRS to report to Congress on state-by-state usage of PAB authority and the extent to which any bond cap expires after the carryforward period.
Provide Flexibility in the Use of Carryforward Bond Authority for Affordable Housing (Section 3)	If a state does not use all of its bond authority in the initial year in which it was received, it may carry forward the bond authority for up to three years. To do so, the state must file Form 8328 with the IRS designating how it will use bond cap it carries forward (carryforward authority). The designation, once made, is irrevocable; if the carryforward authority is not used for the designated purpose within three years, it expires. Thus, if a state designates it will use a set portion of its carryforward authority for a specific project, and that does not move forward, the state is unable to re-designate that carryforward authority for any other purpose, and eventually the authority expires.	It is likely that financing will be delayed due to the pandemic, permitting states to have adequate time to best address their affordable housing needs and maximize the efficiency of volume cap by allowing them to re-designate any carryforward authority and use it for either single-family or multifamily housing during the carryforward period.
Eliminate the Mortgage Revenue Bond (MRB) Refinancing Limitation (Section 4)	Under current law, MRB proceeds are used to finance new mortgages. Unfortunately, states do not currently have the flexibility to use MRBs to refinance existing mortgages. Refinancing through MRBs would be useful for low- and moderate-income homeowners who have not been able to refinance using other products and are thus stuck with higher rate mortgages, which may be difficult for them to afford. When Congress passed The Housing and Economic Recovery Act of 2008 (HERA), it allowed MRBs to be used to refinance mortgages on a temporary basis (through 2010), for adjustable rate mortgages originated from 2002 through 2007. HFAs found this additional flexibility to be extremely helpful during the short period in which they had it.	Due to the pandemic, many borrowers are unable to pay their mortgage. Some homeowners may be able to resume paying their mortgage but at a lower amount over a longer term than permitted by their current servicers. Allowing homeowners to refinance with HFA funds could allow a homeowners the ability to stay in their homes. Allow states the discretion to use MRBs for refinancing home loans for borrowers who meet the MRB mortgage limits. This would open up a low-cost option for low- and moderate-income homeowners who are in need of assistance and help to prevent avoidable foreclosures that can cause

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Sen. Cortez-Masto
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Tax Exempt Bonds & State Credit Update

for NH&RA COVID-19 Member Town Hall

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July 9, 2020

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