



# HOUSING OPPORTUNITY CONFERENCE

## Value, Credit, Risk: The Intersection of Current Market Values, the Availability of Credit, and Transaction Risks in Housing Finance

**BRIAN BAILEY**   **KEITH HARRIS**   **LIONEL LYNCH**   **JENNIFER PESCATORE**   **FARON HILL**  
MODERATOR

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# Inflation Moderating

## Consumer Price Index (CPI)

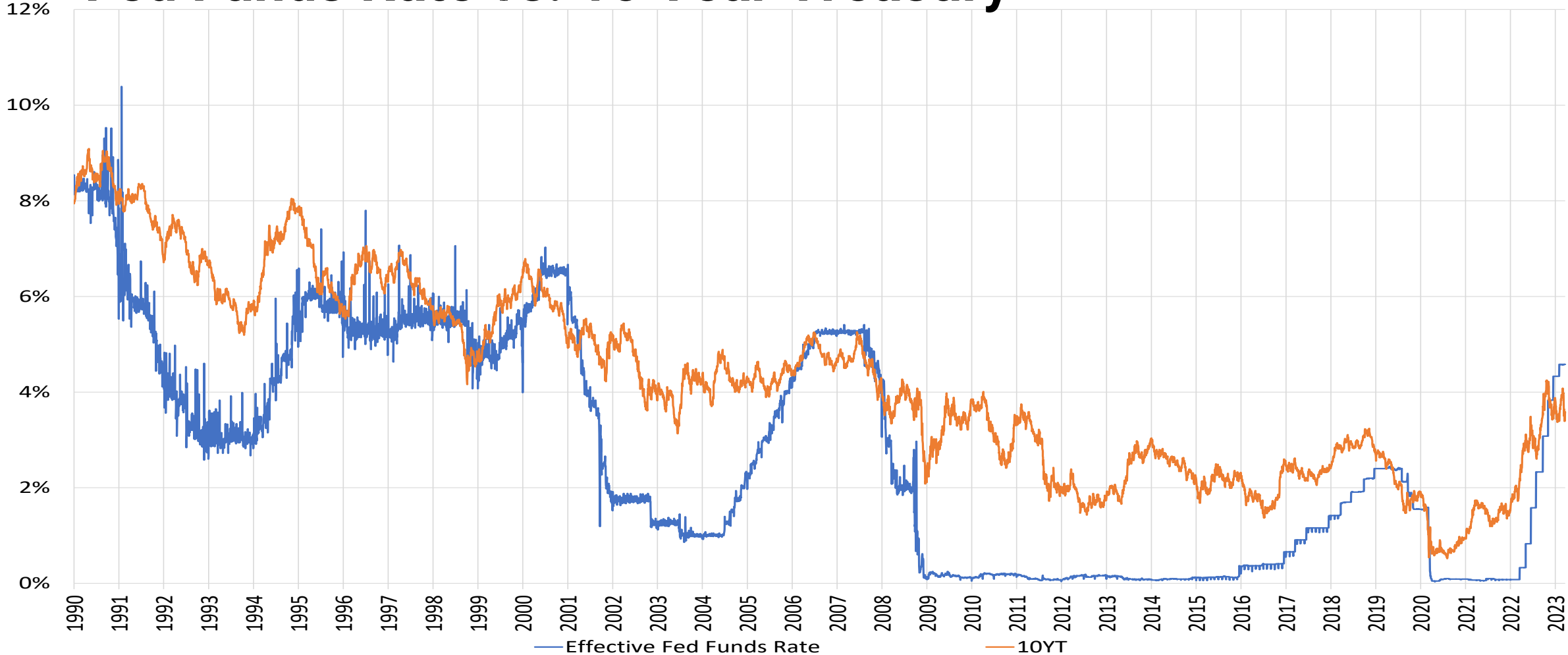
Date		CPI-U	Core	Food & Beverages	Energy	Housing	Shelter	Fuels & Utilities	Household Ops	Home Ownership	Rent	Recreation	Lodging	Apparel	Transportation	Medical Care	Education	Communication	Other Goods & Svcs	Gasoline	New Vehicles	Used Vehicles
2023	Feb	6.0	5.5	9.2	5.0	8.2	8.1	11.1	6.1	8.0	8.8	5.0	6.7	3.3	2.4	2.3	5.0	6.7	3.3	-2.0	5.8	-13.6
	Jan	6.3	5.6	9.9	8.4	8.3	7.9	13.2	5.9	7.8	8.6	4.8	7.7	3.0	3.6	3.1	3.4	-0.7	6.2	1.5	5.8	-11.6
2022	Dec	6.4	5.7	10.1	7.0	8.0	7.5	13.4	6.7	7.5	8.3	5.1	2.9	2.9	3.7	4.0	3.3	-1.1	6.4	-1.5	5.9	-8.8
	Nov	7.1	6.0	10.3	13.0	7.8	7.1	13.1	7.6	7.1	7.9	4.8	3.1	3.6	7.8	4.2	3.1	-1.1	7.0	10.1	7.2	-3.3
	Oct	7.8	6.3	10.6	17.6	7.9	6.9	14.2	8.4	6.9	7.5	4.1	5.8	4.1	11.2	5.0	3.0	-2.1	6.5	17.5	8.4	2.0
	Sep	8.2	6.6	10.8	19.9	8.0	6.6	17.0	9.3	6.7	7.2	4.1	3.0	5.5	12.6	6.0	3.1	-2.0	6.9	18.2	9.4	7.2
	Aug	8.2	6.3	10.9	23.9	7.8	6.3	17.3	9.9	6.3	6.7	4.1	4.1	5.0	13.4	5.4	3.1	-1.5	6.6	25.6	10.1	7.8
	Jul	8.5	5.9	10.5	32.9	7.4	5.7	16.7	10.1	5.8	6.3	4.4	1.2	5.1	16.4	4.8	2.6	-1.0	6.3	44.0	10.4	6.6
	Jun	9.0	5.9	10.0	41.5	7.3	5.6	17.7	9.5	5.5	5.8	4.6	10.1	5.2	19.6	4.5	2.7	-0.6	6.7	59.9	11.4	7.1
	May	8.5	6.0	9.7	34.4	6.9	5.4	15.5	8.9	5.1	5.2	4.5	19.3	5.0	19.3	3.7	2.5	-0.5	6.3	48.7	12.6	16.1
	Apr	8.2	6.2	9.0	30.2	6.5	5.1	13.0	9.9	4.8	4.8	4.3	19.7	5.4	19.8	3.2	2.5	-0.1	5.7	43.6	13.2	22.7
	Mar	8.6	6.5	8.5	32.2	6.4	5.0	12.5	10.1	4.5	4.4	4.8	25.1	6.8	22.5	2.9	2.5	0.9	5.5	48.0	12.5	35.3
	Feb	7.9	6.4	7.6	25.7	5.9	4.8	11.0	9.7	4.3	4.2	4.9	25.1	6.6	21.1	2.4	2.1	1.2	5.6	38.0	12.4	41.2
	Jan	7.5	6.0	6.7	27.0	5.7	4.4	11.9	9.0	4.1	3.8	4.8	20.5	5.3	20.9	2.5	2.1	1.3	4.9	40.0	12.2	40.5
2021	Dec	7.1	5.5	6.0	29.4	5.1	4.2	9.4	7.4	3.8	3.3	24.2	5.7	21.3	2.2	2.0	1.3	4.5	49.3	11.8	37.3	
	Nov	6.8	4.9	5.8	33.1	4.8	3.9	9.8	6.4	3.5	3.0	22.2	5.0	21.1	1.7	2.1	1.3	4.4	57.8	11.1	31.4	
	Oct	6.2	4.6	5.1	29.8	4.5	3.5	10.4	6.2	3.1	2.7	3.8	22.5	4.5	18.7	1.3	2.1	1.5	4.2	49.5	9.8	26.4
	Sep	5.4	4.0	4.5	24.9	3.9	3.2	8.3	5.1	2.9	2.4	3.5	17.5	3.4	16.5	0.4	2.0	1.5	3.4	42.0	8.7	24.4
	Aug	5.2	4.0	3.6	25.1	3.5	2.8	8.1	4.0	2.6	2.1	3.4	17.1	4.1	17.6	0.4	1.4	1.1	3.5	42.8	7.6	31.9
	Jul	5.3	4.3	3.4	23.8	3.3	2.8	7.2	3.7	2.4	1.9	3.5	21.0	4.1	19.1	0.3	1.1	1.1	2.9	41.9	6.4	41.7
	Jun	5.3	4.5	2.3	24.5	3.1	2.6	6.6	4.1	2.3	1.9	2.4	15.0	4.9	21.4	0.4	1.2	2.8	2.5	45.4	5.3	45.2
	May	4.9	3.8	2.1	28.0	2.9	2.2	6.4	4.6	2.1	1.8	1.6	9.2	5.7	19.8	0.9	1.0	2.6	2.7	56.5	3.3	29.7
	Apr	4.2	3.0	2.3	24.9	2.6	2.1	5.6	3.5	2.0	1.8	2.2	7.5	2.1	14.9	1.5	0.8	2.4	2.7	49.7	2.0	21.0
	Mar	2.7	1.6	3.4	13.3	2.1	1.7	4.4	3.2	2.0	1.8	1.1	-6.3	-2.5	6.0	1.8	0.8	2.1	2.4	22.6	1.5	9.4
	Feb	1.7	1.3	3.5	2.3	1.8	1.4	3.4	2.7	2.0	2.0	0.8	-15.0	-3.7	0.6	2.0	1.2	2.2	2.1	1.4	1.2	9.3
	Jan	1.4	1.4	3.7	-3.9	1.8	1.6	2.1	2.9	2.0	2.1	0.1	-11.5	-2.8	-1.4	2.0	1.3	2.1	2.1	-8.9	1.4	10.0
2020	Dec	1.3	1.6	3.8	-7.3	2.0	1.8	2.1	3.1	2.2	2.3	0.9	-9.7	-4.2	-2.6	1.8	1.4	2.4	2.4	-15.3	2.0	10.0
	Nov	1.1	1.6	3.7	-9.7	2.0	1.9	1.6	2.7	2.3	2.4	1.3	-11.0	-5.1	-3.4	2.4	1.3	2.4	1.7	-19.5	1.6	10.9
	Oct	1.2	1.6	3.8	-9.3	1.9	2.0	1.0	2.0	2.5	2.7	1.3	-13.5	-5.4	-3.5	2.9	1.4	2.8	1.9	-18.2	1.5	11.5
	Sep	1.4	1.7	3.8	-7.6	2.0	2.1	1.3	2.2	2.5	2.7	1.5	-13.1	-6.0	-3.1	4.2	1.5	2.7	2.3	-15.4	1.0	10.3
	Aug	1.3	1.7	3.9	-8.9	2.1	2.3	0.3	2.5	2.7	2.9	1.3	-11.5	-6.0	-4.1	4.4	1.7	2.7	2.2	-16.7	0.7	4.0
	Jul	1.0	1.6	3.9	-10.8	2.0	2.3	0.1	1.5	2.8	3.1	1.0	-13.5	-6.4	-5.8	5.0	2.2	2.4	2.7	-20.1	0.5	-0.9

Source: BLS, Center for Real Estate Excellence/Federal Reserve Bank of Atlanta



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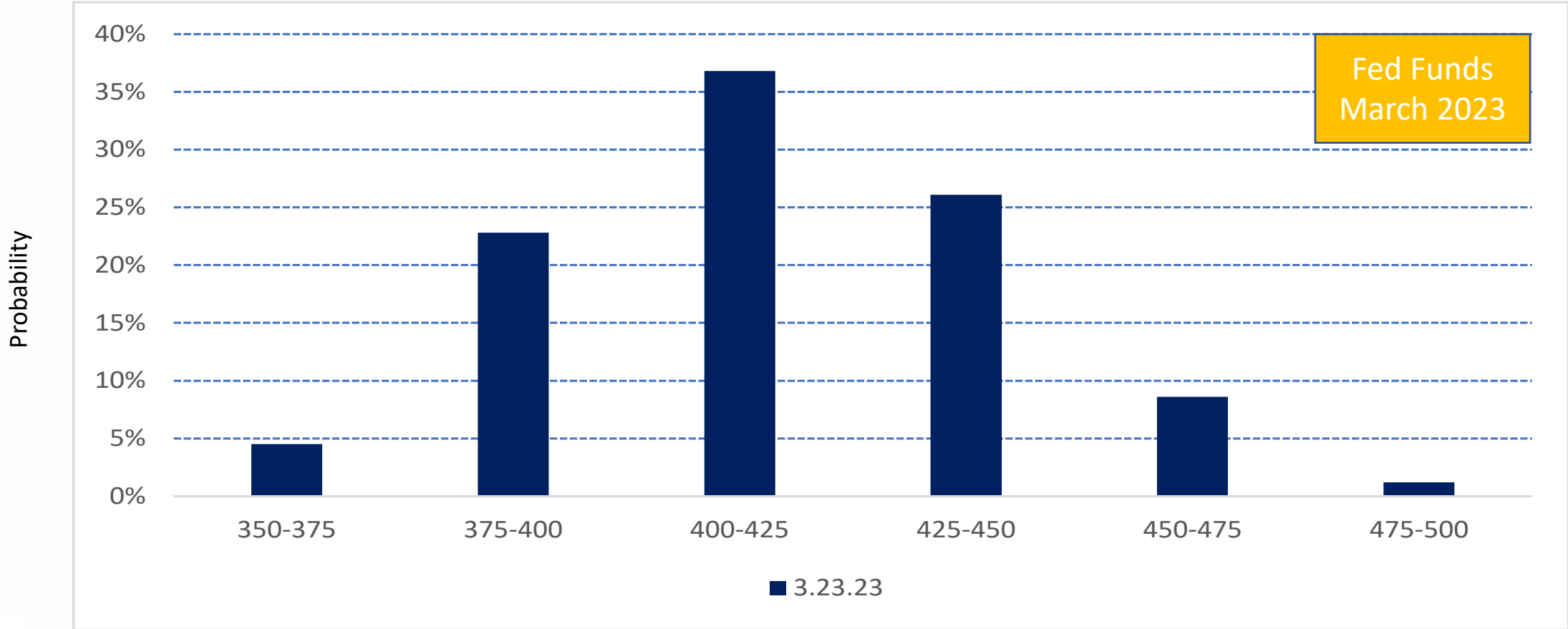
# Fed Funds Rate vs. 10 Year Treasury



Source: Moody's, Center for Real Estate Excellence/Federal Reserve Bank of Atlanta

# Fed Funds

## December 2023 Meeting



Source: CME Group, Center for Real Estate Excellence/Federal Reserve Bank of Atlanta

# Inland Empire MF Recapitalization

TERMS/METRICS	ORIGINAL- MAY 2019	PROPOSED
Total Budget	\$100 Million	\$125 Million
Appraised Value / Cap Rate	\$106 Million 4.75%	\$143 Million 4.75%
Loan Amount	\$55 Million	No Change
LTC/LTV	55% / 51%	44% / 38%
Recourse	100% Completion / 50% Repayment Reducing to 25% at 1.25x DSCR	No Change
Pricing	LIBOR + 3.0%	SOFR + 3.30%
Interest Reserve	\$2,080,000	\$5,045,000
Bank U/W NOI	\$4,835,000	\$6,350,000
Debt Yield	8.79%	11.54%



# Innovative Capital Sources and Partners to Produce Attainable Housing



## Health Systems & Higher Ed

- Land owned that had not previously been considered for housing
- Investment portfolio (e.g., endowment) can provide equity
- Occupancy from employees via master-lease and/or other mechanisms
- Regulatory requirements and opportunities (e.g., Affordable Care Act)



## Pension Funds

- Tax-exempt status prevents ability to invest in LIHTC affordable housing
- Financial returns of attainable housing consistent with segments of portfolio allocation
- Alignment with mission to provide for financial future by improving present day



## Private Corporations

- Allocation of investment portfolio from Treasury management for comparable returns
- Mission-oriented investment in Impact Funds serving their communities and employees
- Corporate real estate excess land and adaptive reuse of existing assets



## Impact Funds

- Broad base of investors, including private corporations, foundations, private individuals, financial services firms, civic coalitions and public sector
- Ability to provide flexible products, rates and terms (e.g., predevelopment, debt, equity)





Teachers' Retirement System of the  
City of New York



- Partnership of two of NYC's largest pension funds to invest \$250 million into mixed-income housing
- Direct account with developer, The Hudson Companies
- Goal to produce 2,000 new units
- Approximately 30% of units restricted for middle-income residents
- Competitive return expectations for allocation made in 2021



**PENNROSE**  
Bricks & Mortar | Heart & Soul

- McAuley Station project in Atlanta, GA
- Land owned by Mercy Care St. Joseph's Health System at their Sweet Auburn campus
- Partnership with developer, Penrose
- 270 affordable family, senior and workforce units
- Utilized LIHTC income averaging for units restricted at 30% AMI, 60% AMI and 80% AMI
- Construction underway with delivery expected in Spring 2024
- 36,000 sf Mercy Care clinic expansion also located on site

## CHARLOTTE HOUSING OPPORTUNITY INVESTMENT FUND

- First fund launched in 2019
- \$43 million raised and fully allocated in two years
- Provides equity, debt and grants
- Fund manager: LISC Strategic Investments, manager of \$1 billion+ of impact funds
- Created and preserved 1,500+ units
- Investors: City of Charlotte Housing Trust Fund, Duke Energy, Foundation for the Carolinas, Novant Health, Howard R. Levine Foundation, private individuals and several other sources
- Currently raising even larger second fund due to success of first fund



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Q&A

Thank you!



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