

January 28, 2020

Citi Community Capital



Affordable Housing, the Year Ahead. What to Expect from the Economy and Congress

## Your Panelists



**Andrew Hollenhorst**

Citi

Director & Global US Chief Economist

Andrew Hollenhorst leads Citi's US Economics team and is responsible for Citi's views on the US economy and monetary policy. Prior to his current role, Andrew worked in a variety of roles in Citi fixed-income and macro research. He holds a PhD in Economics from UCLA and a BA in math and economics from UC Berkeley.



**Barry Krinsky**

Citi Community Capital

National Production Manager

Mr. Krinsky is the National Production Manager of Citi Community Capital (CCC). He has over 25 years of experience providing real estate lending, mortgage banking and investment banking services to developers, owners and operators of real estate. He is responsible for overseeing the financing of multifamily affordable housing utilizing Low Income Housing Tax Credits combined with tax-exempt and/or taxable construction and permanent loans using CCC's proprietary balance sheet programs as well as those offered by CCC via its Fannie Mae Delegated Underwriting and Servicing and Freddie Mac Optigo Lender relationships.



**Michael Novogradac**

Novogradac & Co.

Partner

Michael Novogradac has been in business since 1989. He specializes in affordable housing, community development, historic preservation and renewable energy. Mr. Novogradac's focus is in real estate taxation and accounting. He is the author of numerous real estate-related tax and accounting articles and books, including the Novogradac Opportunity Zones Handbook, the New Markets Tax Credit Handbook and the Low-Income Housing Tax Credit Handbook.



**David Gasson**

Housing Advisory Group

Executive Director

David Gasson is Executive Director of the Housing Advisory Group and has advocated for affordable housing before Congress and numerous administration for 26 years. He formerly worked for House Democratic Leader Richard Gephardt (D-MO) and Senate Majority Leader George Mitchell (D-ME) before working at Boston Capital for 25 years. He is on the steering committee of the Affordable Housing ACTION Campaign where he works will colleagues to preserved and expand affordable housing resources.

## Your Moderator



**Richard Gerwitz**  
Citi Community Capital  
Co-Head & Managing Director

Richard Gerwitz is Co-Head of Citi Community Capital, Citi's community development lending and investing arm. CCC focuses its efforts on affordable rental housing construction and

permanent balance sheet and Agency lending; investment banking; Low Income Housing, New Market, and Historic Tax Credit purchases; and other Community Reinvestment Act lending and investment activities.

## Agenda

US Economic, Monetary and Fiscal Outlook  
Andrew Hollenhorst

Washington Wire  
David Gasson & Michael Novogradac

The Year Ahead  
Barry Krinsky

To ask a question during the webinar  
email [AskCitiCommunityCapital@citi.com](mailto:AskCitiCommunityCapital@citi.com)

22 January 2021

# Outlook 2021

## US Economic, Monetary and Fiscal Outlook

**Andrew Hollenhorst**

Chief US Economist

[Andrew.Hollenhorst@citi.com](mailto:Andrew.Hollenhorst@citi.com)

**Veronica Clark**

US Economist

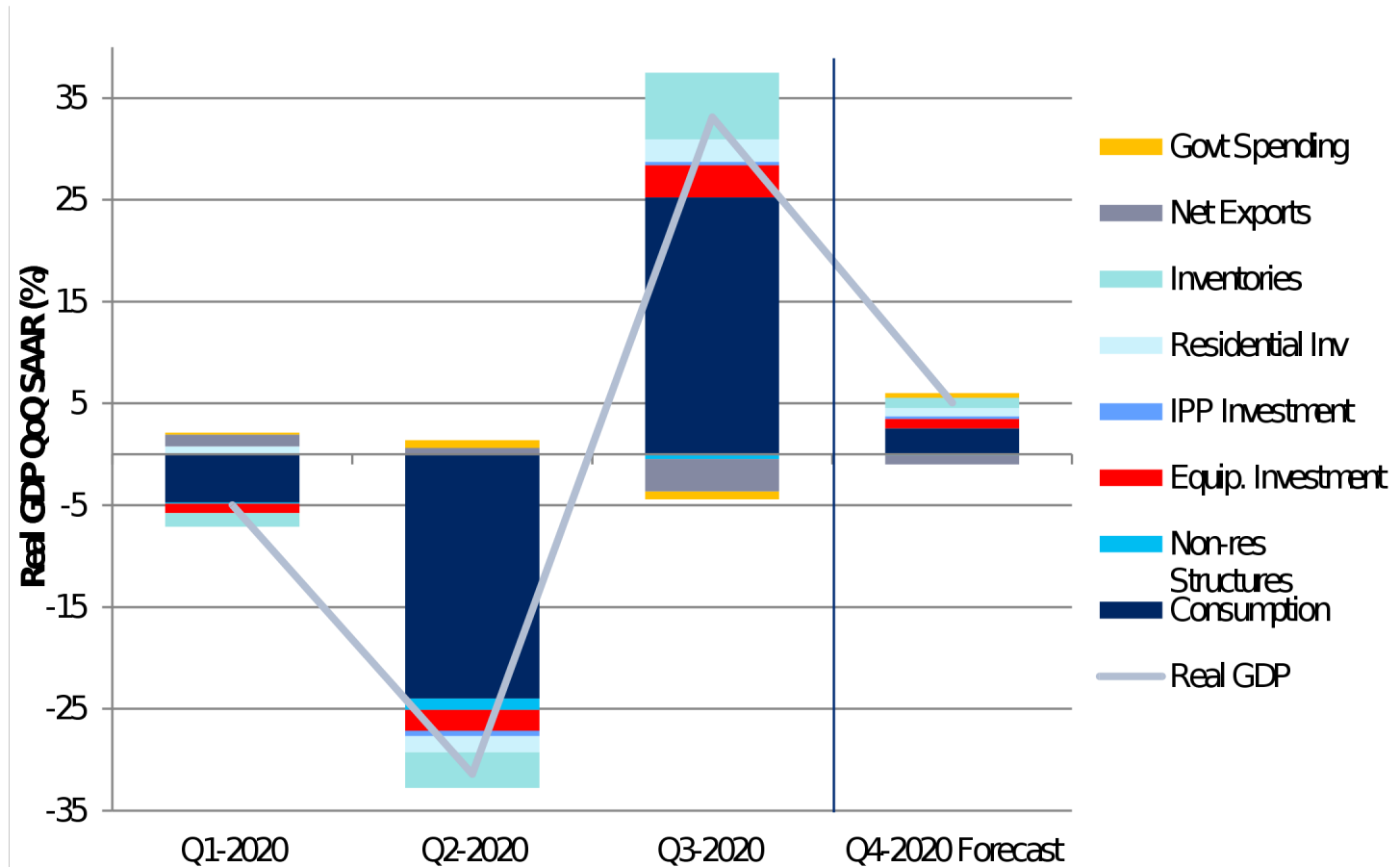
[Veronica1.Clark@citi.com](mailto:Veronica1.Clark@citi.com)

**See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures**

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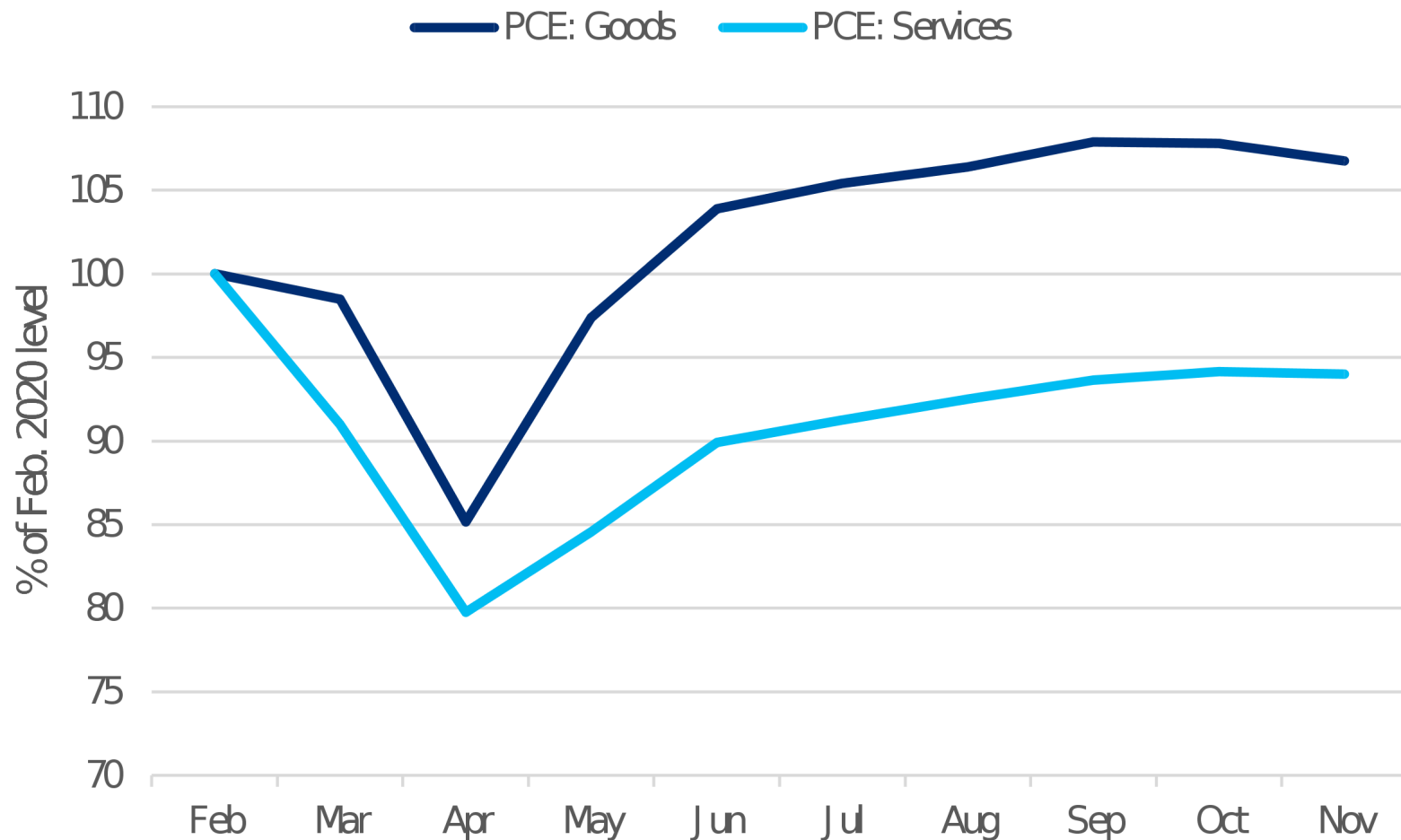
This presentation was approved for distribution on 22 January 2021; the disclosures in Appendix A-1 are current as of the same date.

# Historical Contraction Followed by Rebound



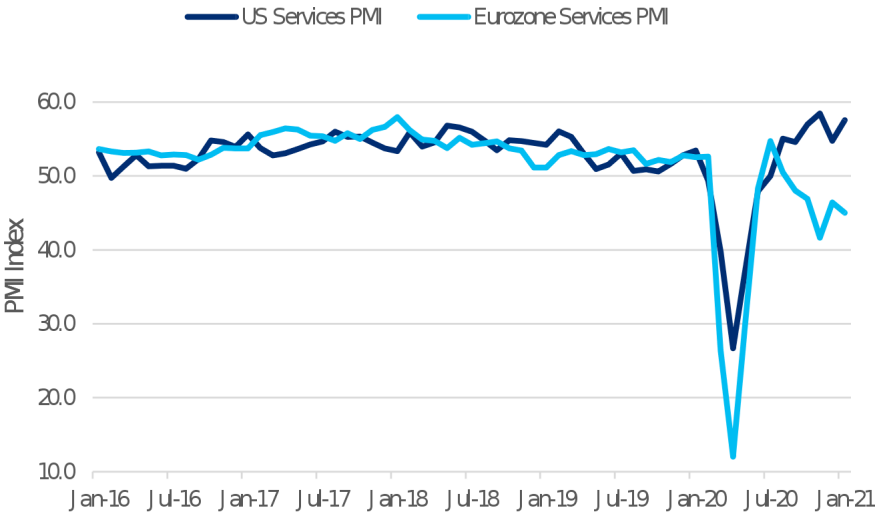
Source: Citi Research

# Services Consumption Down, Goods Consumption Up

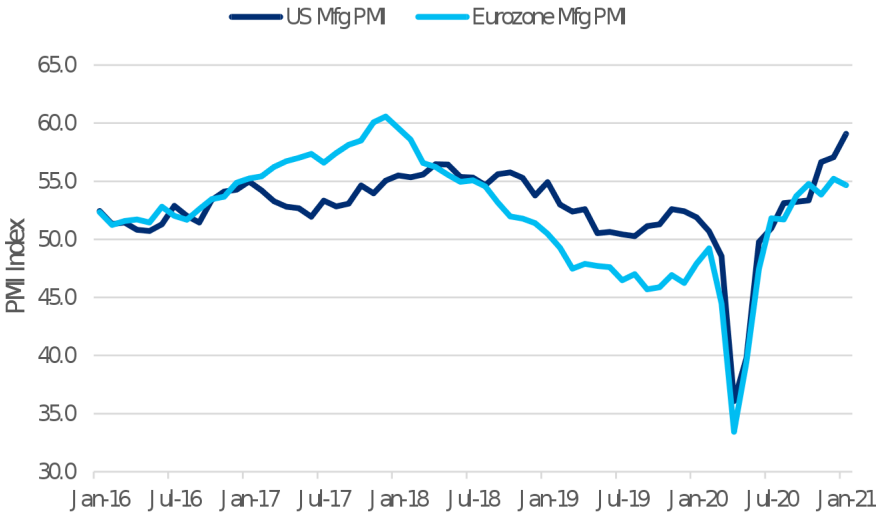


Source: Citi Research, BEA

# Services and Manufacturing Both Expanding

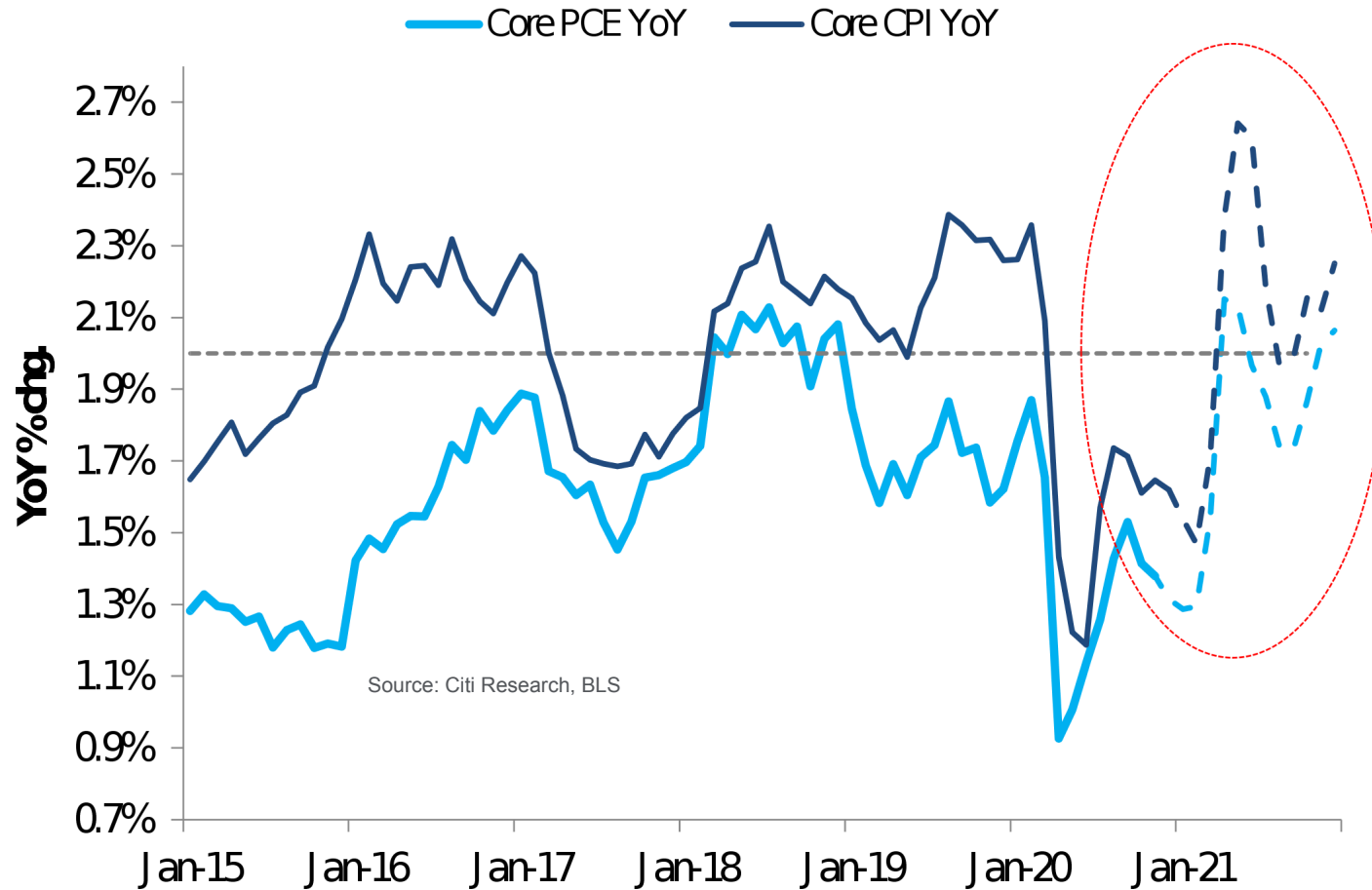


Source: Citi Research, Markit



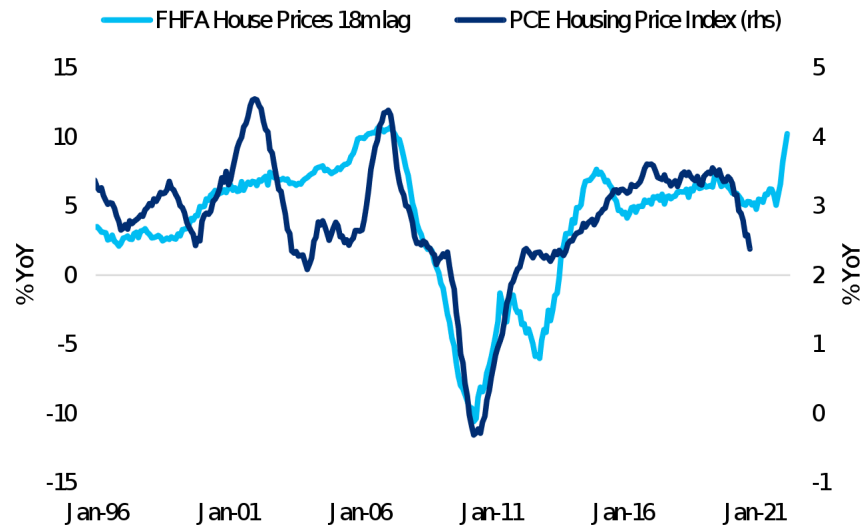
Source: Citi Research, Markit

# Base Effects to Push Core Inflation Higher in 1H 2021

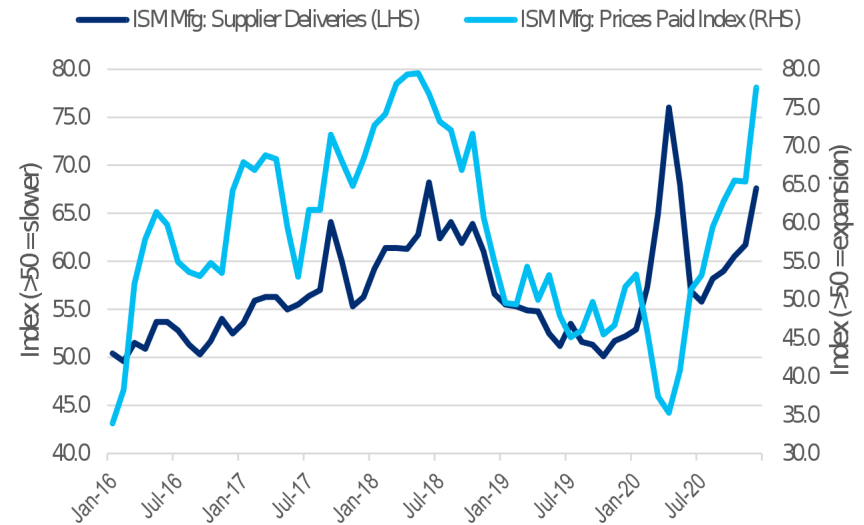




# Inflation Risks from Shelter and Supply-Chain Disruption

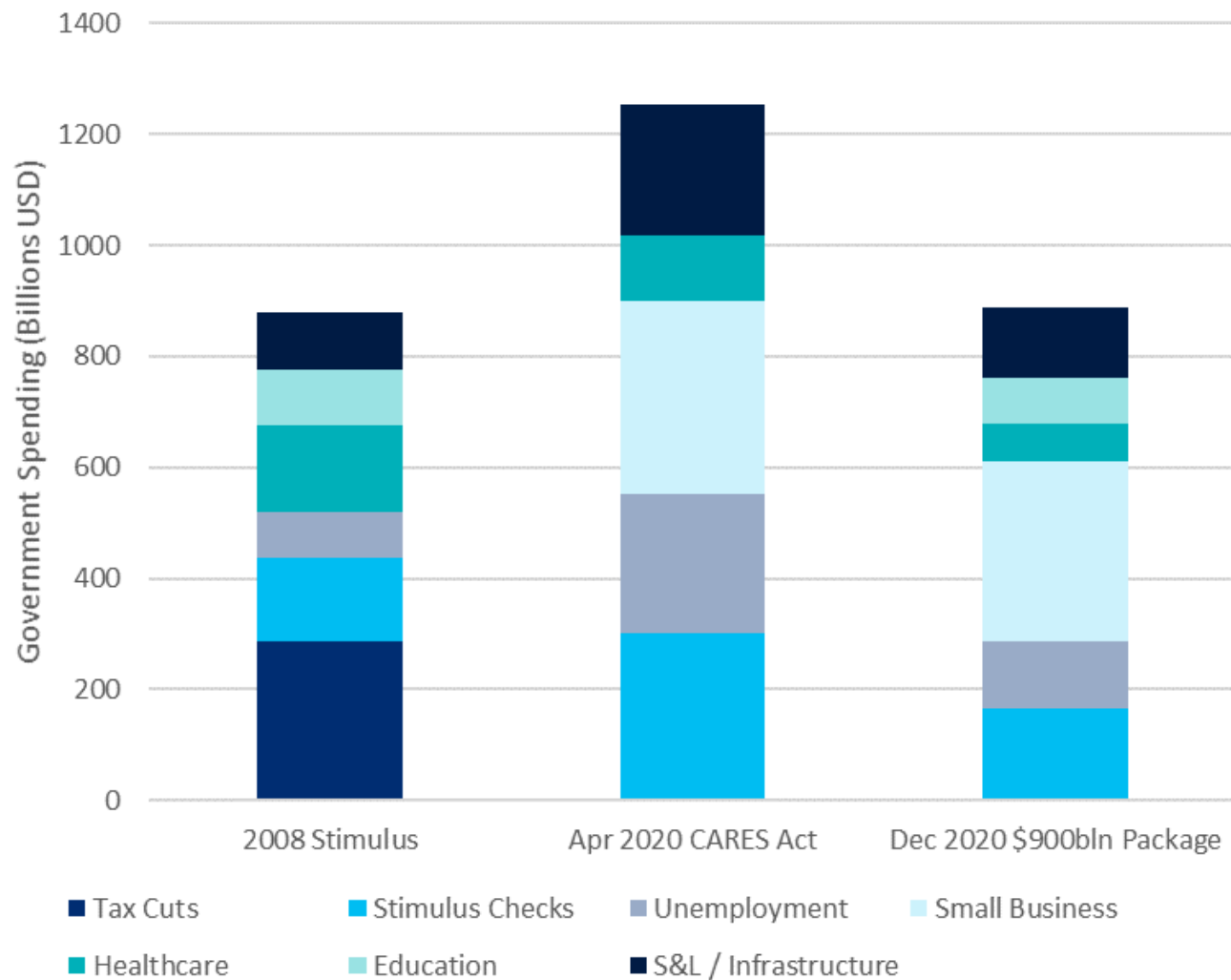


Source: Citi Research, FHFA, BEA

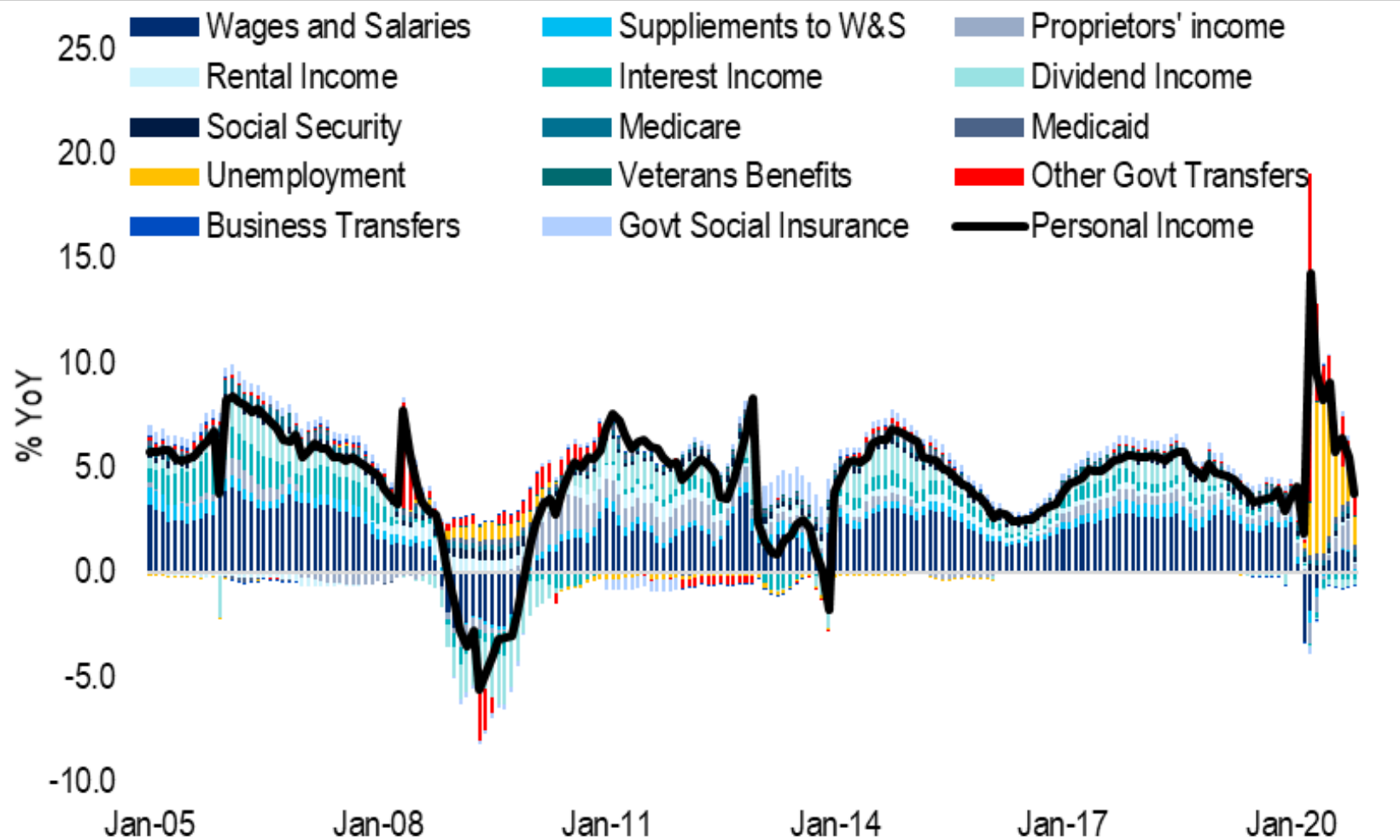


Source: Citi Research, ISM

# Historically large stimulus with more being delivered now



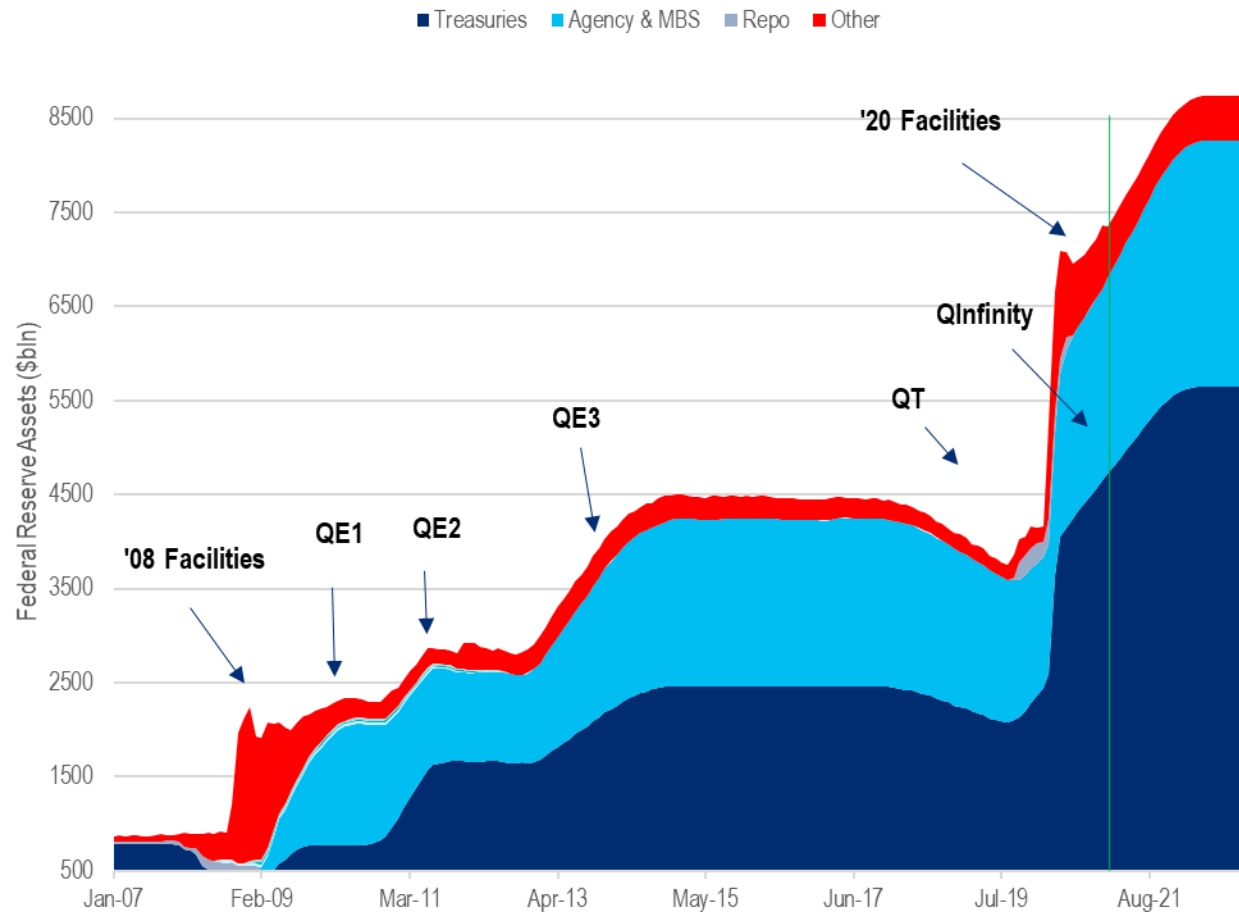
# Government stimulus boosting incomes well above pre-COVID



Source: Citi Research, BEA

Prepared for Andrew Hollenhorst

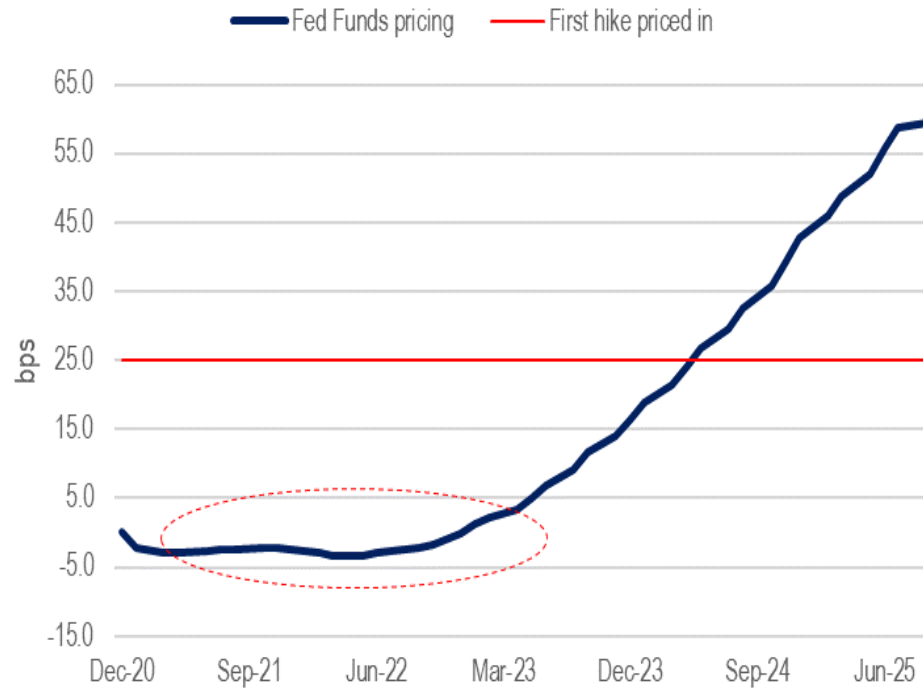
# Historically rapid rise in the size of the Fed balance sheet



Currently purchasing at a rate of \$80bln Tsy and \$40bln MBS per month

Corporate credit, muni and main-street lending programs to stop making new loans

# Getting to a rate hike in an average inflation targeting world



**“Substantial further progress”** Inflation stabilizes around 2% in H2 after stabilizing in H1. Unemployment falls at or faster than Fed official forecasts.



**Tapering of asset purchases announced (Citi Sep '21, Consensus mid '22)** Perhaps \$10bln Tsy/month \$5bln MBS/mth



**Fed done purchasing assets (Citi June '22)**



**First rate hike.** Employment objective reached, inflation stably at-or-above 2%. Citi Dec. '22, Consensus 2023-2025

# Robust Recovery Expected in 2021

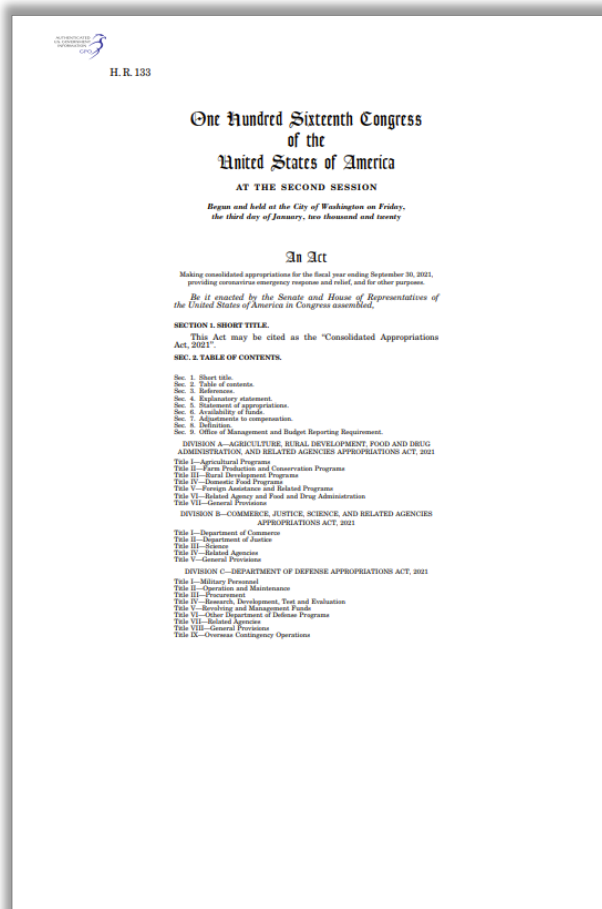
		2020F	2021F	2020				2021			
		YoY	YoY	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
				QoQ	QoQ	QoQ	QoQ	QoQ	QoQ	QoQ	QoQ
GDP	%	-3.5	5.1	-5.0	-31.4	33.1	5.1	5.3	5.5	3.7	2.3
Consumption	%	-3.8	6.0	-6.9	-33.2	40.7	3.7	5.4	7.2	5.2	3.1
Business Equip. Investment	%	-2.9	7.1	-15.2	-35.9	70.1	14.5	6.0	5.0	5.0	5.0
Business IPP	%	2.0	4.7	2.4	-11.4	-1.0	5.5	5.5	5.5	5.5	5.5
Business Structures	%	-10.5	-4.1	-3.7	-33.6	-14.6	-3.8	5.0	0.0	0.0	0.0
Residential Investment	%	5.1	7.7	19.0	-35.5	59.3	25.2	3.4	-1.9	-1.9	1.9
Final Private Domestic Demand	%	-2.7	4.9	-4.6	-27.1	29.2	4.7	4.6	5.4	4.1	2.8
Government	%	1.4	0.4	1.3	2.5	-4.5	2.4	0.6	0.6	0.6	0.7
Exports	%	-12.8	6.2	-9.5	-64.4	59.7	26.6	4.3	4.3	4.3	4.3
Imports	%	-9.7	11.2	-15.0	-54.1	91.1	23.5	5.7	6.5	6.5	6.5
Inventories	pp cont.	-0.9	-1.3	-1.7	-4.3	6.6	-3.3	-3.3	-1.7	0.0	0.0
Core PCE Deflator	% YoY EOP	1.4	1.9	1.8	1.0	1.7	1.4	1.5	2.2	1.8	2.0
Core CPI	% YoY EOP	1.7	2.1	2.1	1.2	1.7	1.6	1.6	2.5	2.1	2.2
Headline CPI	% YoY EOP	1.2	2.0	1.5	0.5	1.4	1.2	2.0	2.7	2.1	2.2
Average Hourly Earnings	% YoY EOP	4.1	3	3.1	4.9	4.7	5.1	3.3	1.8	2.3	2.8
Unemployment Rate	% EOP	8.1	5.9	4.4	11.1	7.8	6.7	6.4	6.0	5.7	5.5
Monthly payroll growth	(1,000s) avg.	-727.8	312.5	-70	-4427	1303	283	350	400	300	200
ISM Manf	EOP	55.0	55	49	53	55	61	55	58	55	55
Policy Range	% EOP	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25

Source: Citi Research

# Washington Wire

Michael Novogradac, Novogradac & Company LLP  @Novogradac

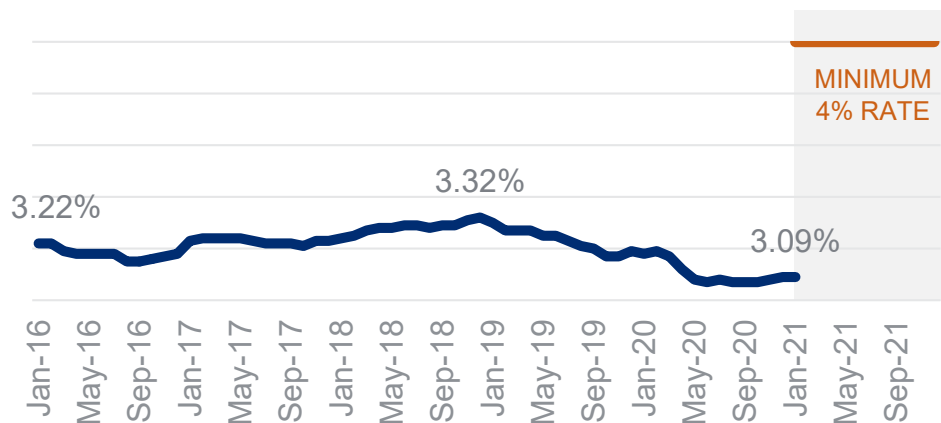
David Gasson, Housing Advisory Group  @dsgasson



## 2020 Year-End Legislation Highlights for Affordable Housing

- 4 Percent Floor
- Disaster LIHTC Allocation
- Rental Assistance
- 2020 Election and Upcoming Legislation





Minimum 4 Percent Rate

**ENACTED**



## Client Questions

1

### Draw-Down Bonds:

- Issuances in 2020 and 2021
- Bond allocation counts against 2020 volume cap

2

### Supplemental 2021 Allocation:

- Issuance 2021
- Bond allocation counts against 2021 volume cap

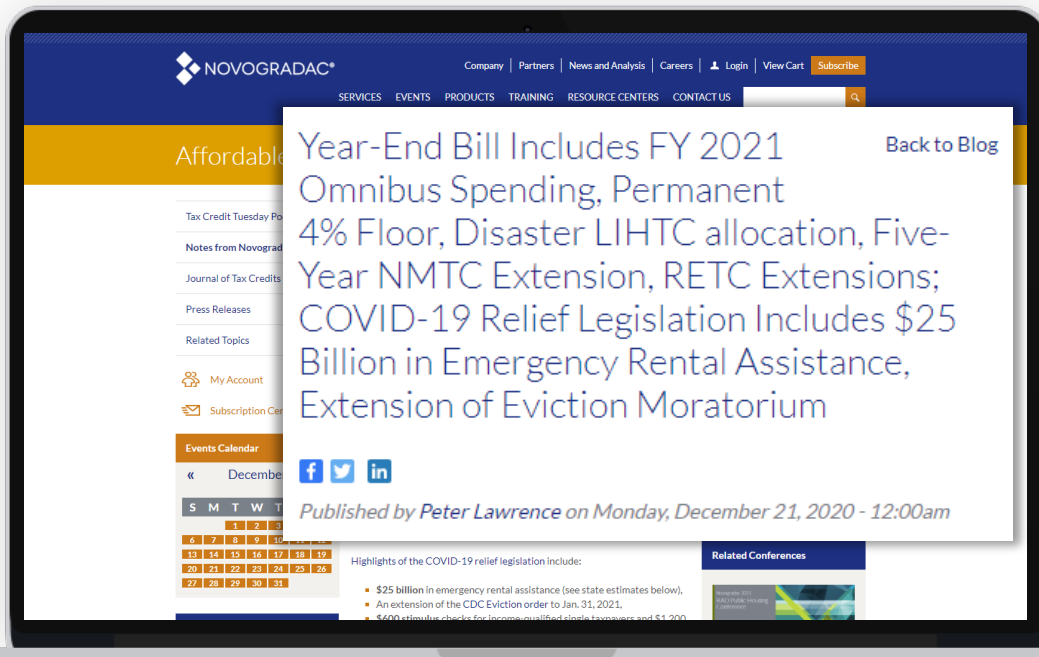
3

### In Service Acq./Rehab.:

- Acquisition in 2020
- PIS in 2021
- 2021 Bond allocation and issuance

# At Least \$1.2 billion Allocation of Disaster LIHTC Authority

[www.novoco.com/blog](http://www.novoco.com/blog)



- 11 states and Puerto Rico that experienced non-COVID-19 major disasters in 2020
- Timeline for disaster declaration:
  - Disaster incident period: 12/28/2019-12/27/2020
  - Disaster declaration period: 1/1/2020-2/25/2021
- Overall cap of **no more than 65%** of the respective state LIHTC ceiling
- LIHTC properties in disaster zones have an **additional 12 months** to satisfy 10% test and PIS deadline
- Disaster LIHTC allocations must be used only in disaster counties, but states are not forced to allocate each county's per-capita share

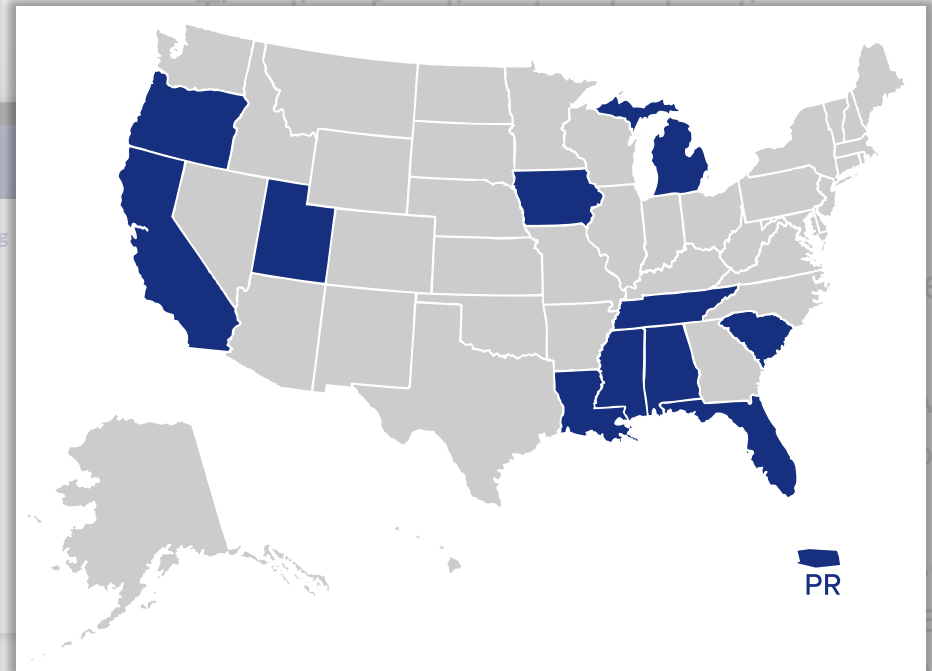
# At Least \$1.2 billion Allocation of Disaster LIHTC Authority

- 11 states and Puerto Rico that experienced non-COVID-19 major disasters in 2020

States with (Non-COVID-19) Major Disaster Declarations	State Population	Disaster County Population	2021 Disaster Authority Estimate	Disaster LIHTC Allocation Percentage of 2020 State Ceiling
Alabama	4,903,185	788,380	\$2,759,330	20.01%
California	39,512,223	23,069,525	\$80,743,338	38.50*
Florida	21,477,737	962,143	\$3,367,501	5.57%
Iowa	3,155,070	1,235,213	\$4,323,246	48.72%
Louisiana	4,648,794	2,123,480	\$7,432,180	56.84%
Michigan	9,986,857	339,154	\$1,187,039	4.23%
Mississippi	2,976,149	667,359	\$2,335,757	27.90%
Oregon	4,217,737	1,805,895	\$6,320,633	53.28%
Puerto Rico	3,193,694	1,053,857	\$3,688,500	41.06%
South Carolina	5,148,714	795,267	\$2,783,435	19.22%
Tennessee	6,829,174	1,394,960	\$4,882,360	25.42%
Utah	3,205,958	1,515,918	\$5,305,713	58.84%
<b>Total</b>			<b>\$125,129,029</b>	
<b>10-Year Stream</b>			<b>\$1,251,290,285</b>	

\*This percentage includes the \$98 million in Disaster Authority originally authorized for the 2017-18 wildfires.

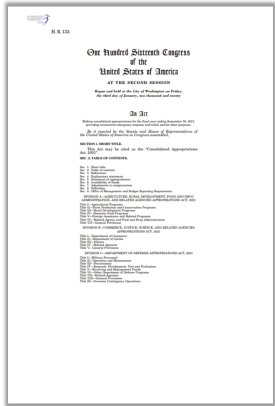
Source: Novogradac



# 2021 9% and 4% LIHTC Allocations

2021 LIHTC Allocations	Amount (in billions)
9% LIHTC per capita allocations	\$9.57
9% LIHTC disaster allocation (from 2020 year-end bill)	\$1.25
4% LIHTC allocated to Bond properties (w/o 4% floor)	\$11.48
4% LIHTC additional allocations from 4% floor (same PAB issuance)	\$3.31
<b>Total</b>	<b>\$25.61</b>

# Need for Rental Assistance



The omnibus spending and COVID-19 relief bills, which became law on Dec. 27, include **\$25 billion in emergency rental assistance.**



ESTIMATES FOR UNPAID RENT RANGE FROM  
**\$34 billion to \$70 billion**

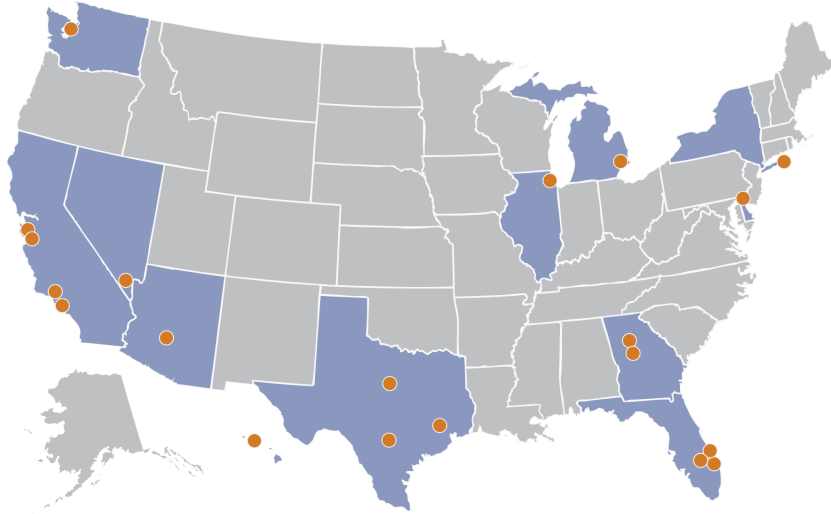
- Unpaid rent expected to continue rising into the new year
- Federal prohibition against evictions for nonpayment is in effect through January, so bringing balances current is the only long-term solution

Jurisdiction	Estimated Allocation	Jurisdiction	Estimated Allocation
Alabama	\$326,387,000	New Hampshire	\$200,000,000
Alaska	\$200,000,000	New Jersey	\$591,255,000
Arizona	\$484,518,000	New Mexico	\$200,000,000
Arkansas	\$200,884,000	New York	\$1,294,953,000
California	\$2,630,186,000	North Carolina	\$698,154,000
Colorado	\$383,338,000	North Dakota	\$200,000,000
Connecticut	\$237,328,000	Ohio	\$778,101,000
Delaware	\$200,000,000	Oklahoma	\$263,401,000
District Of Columbia	\$200,000,000	Oregon	\$280,759,000
Florida	\$1,429,695,000	Pennsylvania	\$852,182,000
Georgia	\$706,763,000	Rhode Island	\$200,000,000
Hawaii	\$200,000,000	South Carolina	\$342,731,000
Idaho	\$200,000,000	South Dakota	\$200,000,000
Illinois	\$843,517,000	Tennessee	\$454,593,000
Indiana	\$448,139,000	Texas	\$1,930,151,000
Iowa	\$210,022,000	Utah	\$213,409,000
Kansas	\$200,000,000	Vermont	\$200,000,000
Kentucky	\$297,397,000	Virginia	\$568,179,000
Louisiana	\$309,453,000	Washington	\$506,896,000
Maine	\$200,000,000	West Virginia	\$200,000,000
Maryland	\$402,439,000	Wisconsin	\$387,578,000
Massachusetts	\$458,809,000	Wyoming	\$200,000,000
Michigan	\$664,789,000	Tribal Areas/Native Hawaiian	\$800,000,000
Minnesota	\$375,410,000	Puerto Rico	\$357,804,000
Mississippi	\$200,000,000	American Samoa	\$5,617,000
Missouri	\$408,546,000	Guam	\$18,838,000
Montana	\$200,000,000	Northern Mariana Islands	\$5,794,000
Nebraska	\$200,000,000	Virgin Islands	\$11,946,000
Nevada	\$205,035,000	<b>Total</b>	<b>\$25 billion</b>

## Estimated State Allocations of Coronavirus Relief Fund for Emergency Rental Assistance

- The U.S. Department of Treasury will distribute funds to **states, tribes, territories, D.C. and units of local government with populations >200,000**
- The **definition of locality** is “a county, municipality, town, township, village, parish, borough, or other unit of general government below the State level.”
- Requests to Treasury were due **Jan. 12**

## Counties Estimated to Receive the Most Rental Assistance



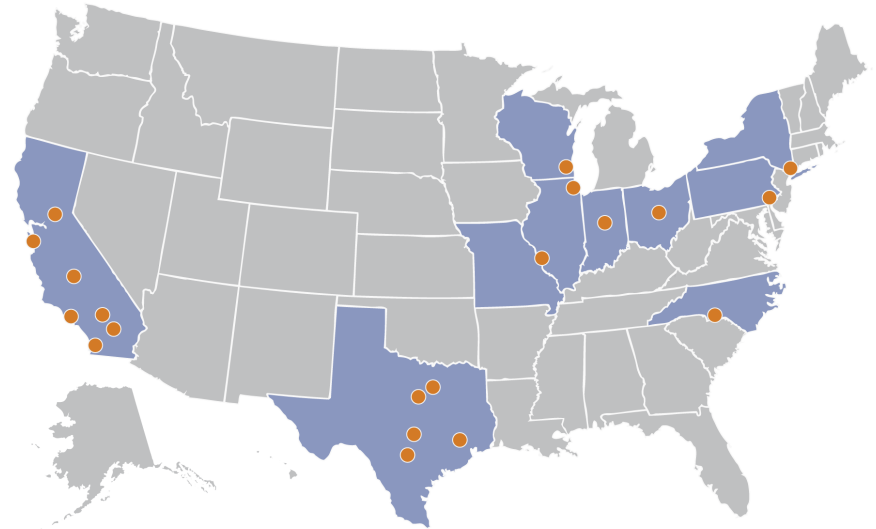
County	Rental Assistance Estimate	County	Rental Assistance Estimate
Los Angeles County, CA	\$300,720,195	Bexar County, TX	\$60,016,207
Cook County, IL	\$154,274,519	Broward County, FL	\$58,495,205
Harris County, TX	\$141,187,055	Santa Clara County, CA	\$57,748,566
Maricopa County, AZ	\$134,360,042	Forsyth County, GA	\$53,637,088
Orange County, CA	\$95,127,457	Wayne County, MI	\$52,401,350
Miami-Dade County, FL	\$81,385,576	New Castle County, DE	\$51,642,667
Clark County, NV	\$67,899,210	Alameda County, CA	\$50,064,451
King County, WA	\$67,481,813	Fulton County, GA	\$47,199,904
Tarrant County, TX	\$62,980,571	Palm Beach County, FL	\$44,835,546
Honolulu County, HI	\$61,948,163	Suffolk County, NY	\$44,231,388

*Note: The estimate for counties that have cities with populations at or above 200,000 include the rental assistance amounts for which those cities are eligible.*

Sources: NLIHC; U.S. Census; Novogradac



## Cities Estimated to Receive the Most Rental Assistance



City	Rental Assistance Estimate	City	Rental Assistance Estimate
New York, NY	\$249,728,252	San Antonio, TX	\$46,347,768
Los Angeles, CA	\$119,207,702	San Jose, CA	\$30,607,741
San Diego, CA	\$99,999,258	Fresno, CA	\$29,927,946
Chicago, IL	\$80,697,679	St. Louis, MO	\$29,781,256
Dallas, TX	\$78,946,549	Austin, TX	\$29,323,065
Riverside, CA	\$74,004,897	Indianapolis, IL	\$28,893,900
Houston, TX	\$69,503,335	Milwaukee, WI	\$28,329,074
San Bernardino, CA	\$65,304,174	Fort Worth, TX	\$27,246,504
Philadelphia, PA	\$47,450,429	Columbus, OH	\$26,916,037
Sacramento, CA	\$46,491,703	Charlotte, NC	\$26,531,277

Sources: NLIHC; U.S. Census; Novogradac



# Eligible Uses

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Agencies receiving the funds must expend **at least 90%** to pay:

- **rent;**
- **rental arrears;**
- **utilities and home energy costs;**
- **utilities and home energy costs arrears; and**
- **other housing expenses resulting from the pandemic.**

The assistance can last **up to 12 months, plus an additional three months** if necessary to **ensure housing stability**.

There are two categories of uses from the **remaining 10%**:

- **other services related to the pandemic** (e.g., case management) and/or
- **agencies' administrative costs.**

Full webinar recording: **[www.novoco.com/training](http://www.novoco.com/training)**

Notes from Novogradac blog: **[www.novoco.com/blog](http://www.novoco.com/blog)**



# 2020 Election Results

Democratic

222D to 211R  
NY-22 pending and  
LA-5 (R) vacant



Democratic



Democratic

48D, 2I, 50R



# 2020 Election Results

Democratic



## American Rescue Plan



### President-elect Biden Announces American Rescue Plan

#### ***Emergency Legislative Package to Fund Vaccinations, Provide Immediate, Direct Relief to Families Bearing the Brunt of the COVID-19 Crisis, and Support Struggling Communities***

The COVID-19 pandemic and the corresponding economic crisis are devastating families across the country. More than 20 million Americans have contracted COVID-19, and at least 370,000 have died. From big cities to small towns, too many Americans are barely scraping by, or not scraping by at all. And the pandemic has shed light on the persistence of racial injustice in our healthcare system and our economy. The need to act is clear in the lines at food banks, the small businesses that are closed or closing, and the growing number of Americans experiencing housing insecurity. After nearly a year of the public health crisis, our nation remains in this dark winter of the pandemic and facing a deep economic crisis.

President-elect Biden is laying out the first step of an aggressive, two-step plan for rescue, from the depths of this crisis, and recovery, by investing in America, creating millions of additional good-paying jobs, combatting the climate crisis, advancing racial equity, and building back better than before.

While Congress's bipartisan action in December was a step in the right direction, it was only a down payment. It fell far short of the resources needed to tackle the immediate crisis. We are in a race against time, and absent additional government assistance, the economic and public health crises could worsen in the months ahead; schools will not be able to safely reopen; and vaccinations will remain far too slow.

As last month's jobs report underscored, the virus and our economy are intertwined. We cannot rescue our economy without containing this virus.

Today, President-elect Biden is announcing the American Rescue Plan to change the course of the pandemic, build a bridge towards economic recovery, and invest in racial justice. The American Rescue Plan will address the stark, intergenerational inequities that have worsened in the wake of COVID-19. Researchers at Columbia University estimate that these proposals will cut child poverty in half.

Specifically, President-elect Biden's American Rescue Plan will:

1

## Potential Senate Committee Leadership

Committee  
Chairs

FINANCE



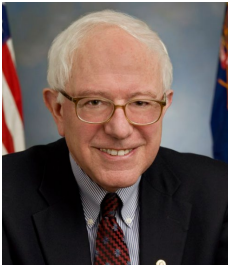
SEN. WYDEN  
D-Ore.

BANKING



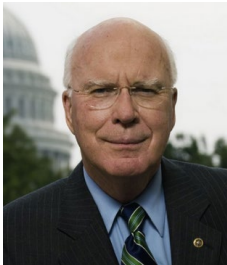
SEN. BROWN  
D-Ohio

BUDGET



SEN. SANDERS  
D-Vt.

APPROPRIATIONS



SEN. LEAHY  
D-Vt.

THUD  
Subcommittee



SEN. REED  
D-R.I.



May give up if  
he is Armed  
Services  
Committee  
Chair

## Potential Senate Committee Leadership

Committee  
Chairs

FINANCE



SEN. WYDEN  
D-Ore.

BANKING



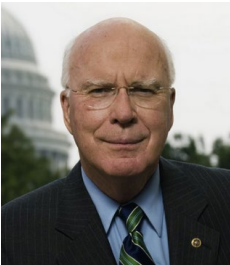
SEN. BROWN  
D-Ohio

BUDGET



SEN. SANDERS  
D-Vt.

APPROPRIATIONS



SEN. LEAHY  
D-Vt.

THUD  
Subcommittee



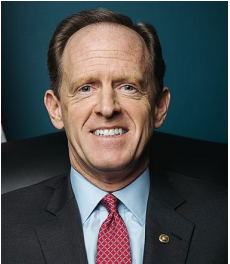
SEN. REED  
D-R.I.

← May give up if  
he is Armed  
Services  
Committee  
Chair

Ranking  
Members



SEN. CRAPO  
R-Idaho



SEN. TOOMEY  
R-Penn.



SEN. GRAHAM  
R-S.C.



SEN. SHELBY  
R-Ala.



SEN. COLLINS  
R-Maine

# Paths for Passing Legislation

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Currently:  
**60 votes**

2

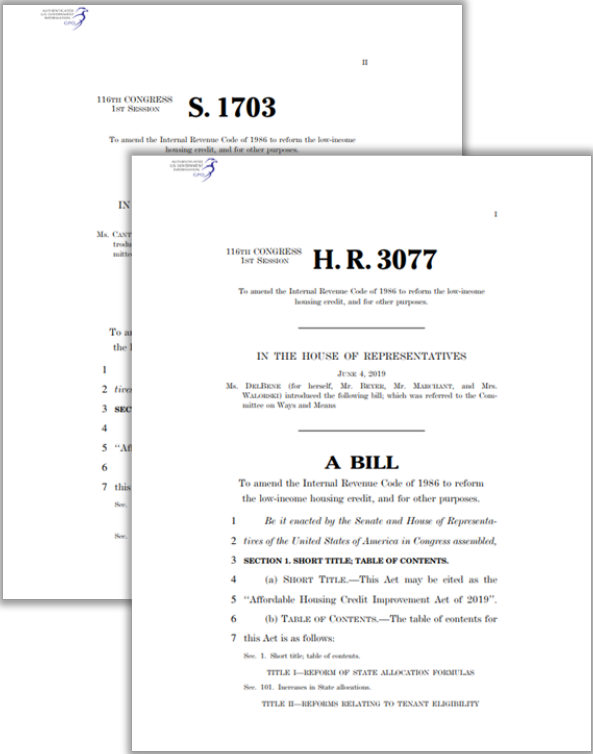
If filibuster is  
eliminated:  
**51 votes**

3

Through  
reconciliation:  
**51 votes**

# Affordable Housing Credit Improvement Act

To be Introduced in the 117<sup>th</sup> Congress – What Might Be Included?



S. 1703: 11R 28D 2I | H.R. 3077: 79R 154D



CANTWELL  
D-WA



YOUNG  
R-IN



WYDEN  
D-OR



R  
Cosponsor



DELBENE  
D-WA



WALORSKI  
R-IN



BEYER  
D-VA



R  
Cosponsor

9 percent  
allocation  
increase

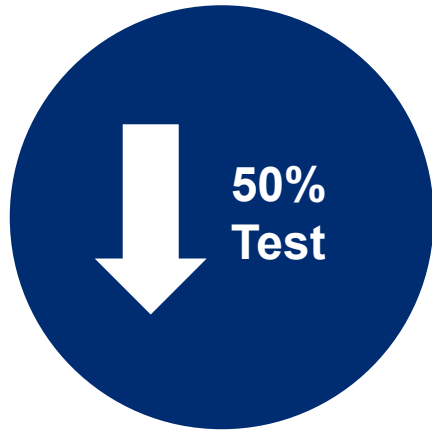
Minimum 4  
percent rate



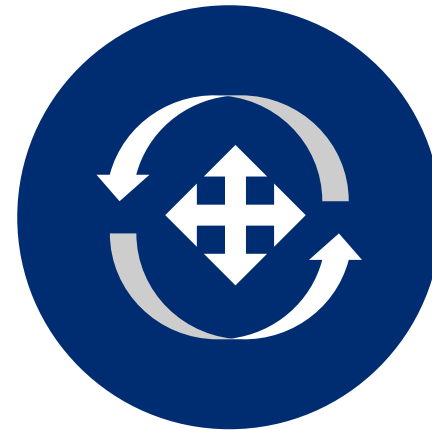
about  
20 other  
provisions  
and *six*  
*new*  
*provisions*

# Priorities

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Lower 50%  
financed-by test



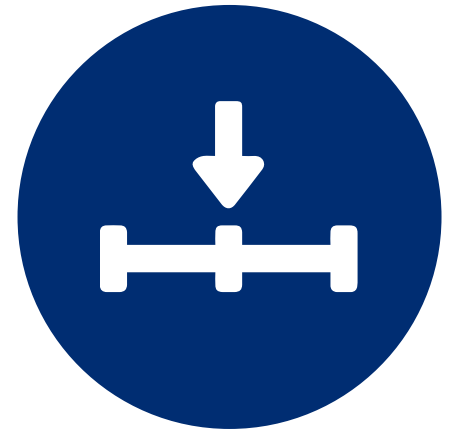
Expand bond recycling



Increase private activity  
bond volume cap



Enact Neighborhood  
Homes Investment Act



Enact Middle-Income  
Housing Tax Credit



# The Year Ahead

Barry Krinsky, Citi Community Capital

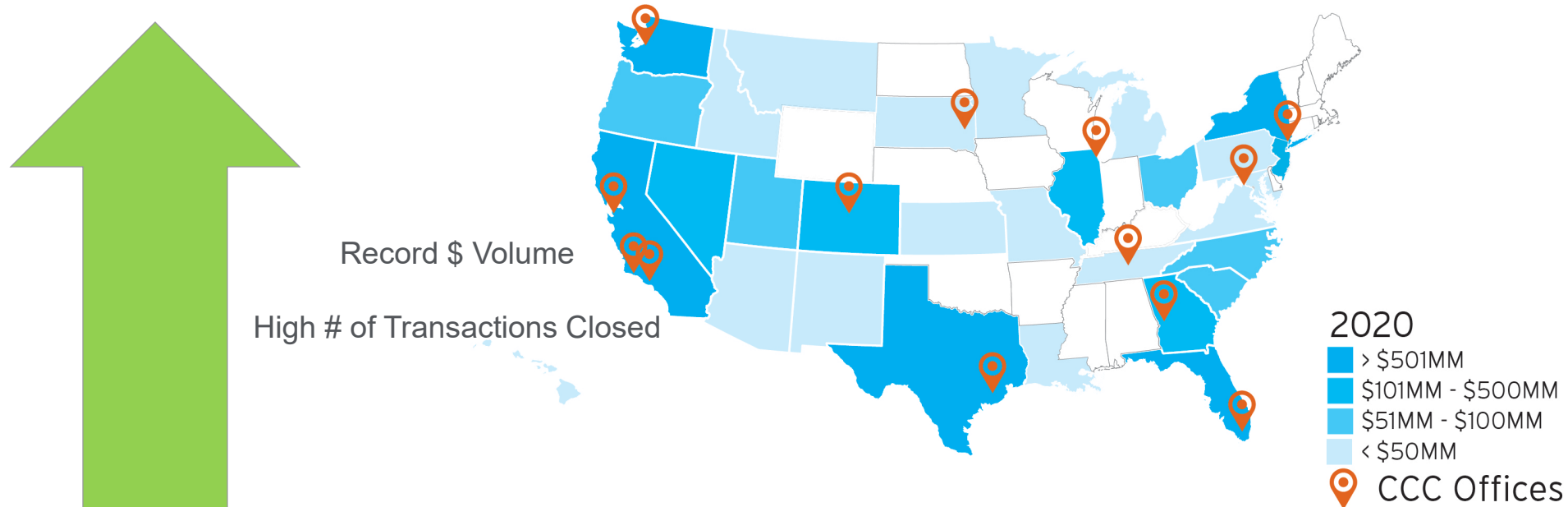




## CCC

- Construction and Permanent Loan Portfolio Performance
- Early construction delays; continued concern for acquisition/rehabs
- Softening of mixed income and market rate lease-up

## 2020 In Review



## 2021 Opportunities

### More 4% Transactions

- Fixed 4% Credit Rate will deliver more equity
- Recycling is gaining steam in more markets

### Low Interest Rates

- Help to drive higher debt proceeds
- Provides longer term favorable cash flow

### Agencies Continue to be active participants

- FHFA agreed to allow \$70 Billion of lending for both Fannie Mae and Freddie Mac
- Significant focus on affordable and workforce housing
- Will continue to purchase LIHTC

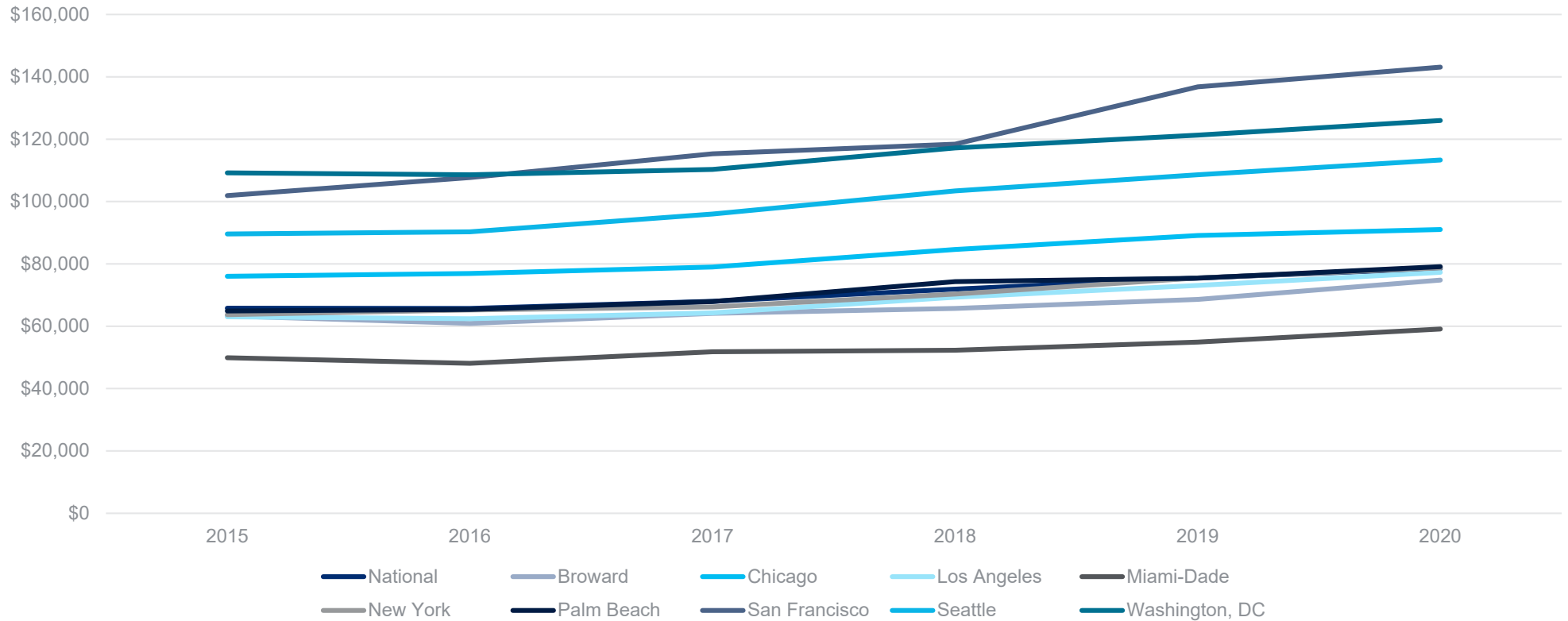
### Emerging Manager Fund

- Part of CITI's \$1 billion commitment to racial equity
- Proportionally fewer minority owned real estate developers in the affordable housing industry
- Committing \$200 million of equity to be funded to minority developers
- Applications received, finalizing review

- Limited Bond Volume Cap in Certain Markets
- Mixed-Income Underwriting Concerns
- Limited AMI versus Expense Growth

## 2021 Potential Limitations

AMI Growth



- To ask a question
  - email [AskCitiCommunityCapital@citi.com](mailto:AskCitiCommunityCapital@citi.com)
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# Appendix A-1

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