

A look ahead: Despite conflicting signs, the outlook for affordable housing remains intact

The prognosis for financing the development and preservation of affordable housing remains encouraging, despite the uncertainties about government policy, COVID-19, and in the capital markets.

For instance, as the Delta variant of Covid began to spread in the third quarter, 10-Year Treasury yields started to slump, raising doubts about the strength of what was supposed to be the post-Covid economic reopening. By September, though, when Covid cases and hospitalizations began to inch downward and vaccine mandates were being imposed, those yields started to rebound and ended the quarter almost exactly where they started—at roughly 1.5%.

Meanwhile, reports surfaced that only a fraction of the \$47 billion set aside by Congress for rental assistance amid Covid was making its way into the hands of tenants in need, hinting that the safety net for renters may have a gaping hole. By the end of September, the Treasury Department provided additional guidance and state and local governments began to direct that unspent cash to communities with larger needs.

Also in Washington, the bi-partisan infrastructure bill, with the potential to direct millions of dollars into affordable housing, ran into delays at the end of the third quarter, as the legislation became entangled with the larger \$3.5 trillion spending package that Congress was also weighing. Nevertheless, meaningful progress on the affordable housing front was made elsewhere in Washington. For example:

- In September, the Department of Housing and Urban Development announced a series of moves that seek to create, preserve, or sell 100,000 affordable homes over the next three years. Those steps include relaunching the Federal Financing Bank and renewing support of the FHA Section 542(c) Housing Finance Agency Risk-Sharing Program, which provides low-cost capital to spur development of rental housing.
- The Federal Housing Finance Agency proposed goals for Fannie Mae and Freddie Mac through 2024. The proposed goals are designed to improve access to fair and sustainable mortgage financing in communities of color while also promoting access to affordable housing that reaches other underserved communities including low- and moderate-income families and rural areas.



Michael Lohmeier,
Chief Investment Officer

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Q3 2021 IMPACT Community Capital investing highlights

The specter of inflation, driven by supply chain disruptions and a post-pandemic consumer spending spree, continued to drive economic and market news. Nowhere has that been more visible than in rents at multifamily properties. Nationally, rents for units in multifamily properties rose 10.3% in August on a year-over-year basis, according to the Yardi Matrix survey, representing the first-ever double-digit increase in the survey's history. Against this backdrop of straining affordability, IMPACT is proud to have helped finance 478 units of affordable housing through a combination of seven new loan commitments and loan purchases totaling more than \$21 million. At IMPACT, we believe increasing access to affordable housing is an essential pillar for improving the financial well-being of workers, communities, businesses, and the overall economy.

Spotlight Property: Gannet Pointe



Photo by Ability Housing

- This new, 80-unit property located in Kissimmee, Fla., consists of two, three-story apartment buildings. Twelve of the units are restricted to tenants with less than 40% of Area Median Income (AMI); the remaining units are restricted to tenants with annual incomes of 60% AMI or less.
- The property also requires that at least 20% of the units are be for persons with special needs.
- The developer, Ability Housing, specializes in providing resident enrichment and individualized case management on site, and partners with local agencies to identify permanent housing placement for chronically homeless and at-risk households.
- Property amenities will include a clubroom, game room, fitness center, lounge, activity room, grilling patio area, and veranda.
- Originator: Bank of America, N.A.

478

Affordable Multi-Family
Rental Units Financed

7

New loan purchases and
forward commitments

Commitments
totaling more than

\$21M

Spotlight Property: Abbington at Galleria Mall Apartments



Illustration by Martin Riley Associates

- Located in Centerville, Georgia, this property will be a 58-unit development comprised of one-, two- and three-bedroom units restricted to 50%, 60%, and 70% AMI tenants.
- The property, approximately two hours south of Atlanta, is conveniently located near neighborhood shopping, employment, services, healthcare facilities, grocery stores, and schools.
- Amenities at Abbington will include a clubhouse, community room, fitness center, and library/media room.
- Originator: JPMorgan Chase Bank, N.A.

2021 IMPACT Social Bond Activity

On Sep. 30, IMPACT completed its second social bond deal with Wells Fargo Securities and Freddie Mac. Proceeds from the underlying loans—credit enhanced via Freddie Mac Privately Placed Multifamily Participation Certificates, contributed by IMPACT—finance rental properties in 18 states that serve low- to very low-income residents. In aggregate, the two social bond deals with Freddie Mac have helped IMPACT finance roughly 4,000 affordable housing units.

Additional IMPACT Updates:

- On Aug. 17, IMPACT announced the successful close of the IMPACT Mortgage Opportunities Fund, which seeks to preserve existing affordable multifamily properties across the country. The Fund, which exceeded its initial capital target and raised \$210 million, helps preserve affordable housing units by providing high-quality, short-term bridge loans to developers and owners who want to preserve their properties' affordability status. The loans provide borrowers time to apply for permanent financing and government subsidy programs.

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- The IMPACT Mortgage Opportunities Fund, which is expected to preserve more than 5,000 affordable units over the lifespan of the Fund, has been shortlisted for a Transformational Business Award in the Impact Investing category. The award, sponsored by The Financial Times and IFC, recognizes impact investing funds that demonstrate “innovation, scalability, and measured impact in their operations.” * Read more [here](#).
- On Sept. 23, IMPACT CEO Jeff Brenner spoke at InsuranceERM’s “Insurance Risk and Capital Conference,” where the conversation centered on impact investing for diversity and inclusion, opportunities for social bonds, and how the industry can amplify impact.
- In the latest installment of IMPACT’s video series, Director of IR & Capital Markets Melissa Radic speaks with John Mangan, ACLI’s Regional VP and Deputy of State Relations, to discuss ACLI’s work in support of impact investing. You can watch the video [here](#).

CONTACT US

CALL OR EMAIL US
415-981-1074
info@impactcapital.net

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