

Cautious but positive outlook for affordable housing in 2021

In the aftermath of 2020, the need for affordable housing is as great as ever. We are encouraged by the promising efforts of investors as well as the public and the private sectors to bring much needed resources to address this issue.

Chief among them:

- **A new minimum 4% rate for Low-Income Housing Tax Credits (LIHTC)**
Tucked inside the \$1.4 trillion omnibus spending bill that Congress approved at the end of last year, along with the second COVID-19 relief bill, was a provision that establishes a minimum 4% rate for acquisition LIHTCs and tax-exempt private activity bond-financed developments. The LIHTC rate has historically floated based on federal borrowing rates and fell below 3.1% last year during the pandemic. A higher rate should provide more funding. Novogradac estimates that the 4% LIHTC rate could lead to an additional 130,000 affordable rental homes between now and 2030.
- **Greater awareness of housing issues among policymakers**
Increasingly, legislators on both sides of the aisle are including housing needs in their discussions. At the end of last year, the outgoing Congress and administration included \$25 billion in emergency rental assistance as part of the second COVID-19 stimulus package. Congress and the new administration are also discussing the needs of families facing homelessness in their ongoing stimulus talks.
- **More businesses are recognizing the importance of affordable housing**
Just a few days into the new year, the need for safe and sanitary housing for low- to moderate-income workers made the headlines thanks to Amazon's pledge to invest \$2 billion toward developing and preserving affordable housing in three locations: Seattle, Nashville, and Arlington, VA. These weren't randomly selected cities; they are three of the key markets for Amazon's workforce. The tech giant recognizes what a growing chorus of employers are coming to understand: that without an adequate supply of affordable housing, companies can't attract the talent they need to succeed. Amazon's move comes after Apple, Google, Facebook, and Microsoft collectively pledged more than \$5 billion a little more than a year ago toward the same broad goal.

The pandemic's effect on families who need affordable housing is undeniable. Between mid-March and mid-September 2020, 49% of renter households reported a loss of income.¹ That rate was even higher among Latino and Black renters. The opportunities for investors to help address the need for safe and sanitary affordable housing are as great today as they've ever been.



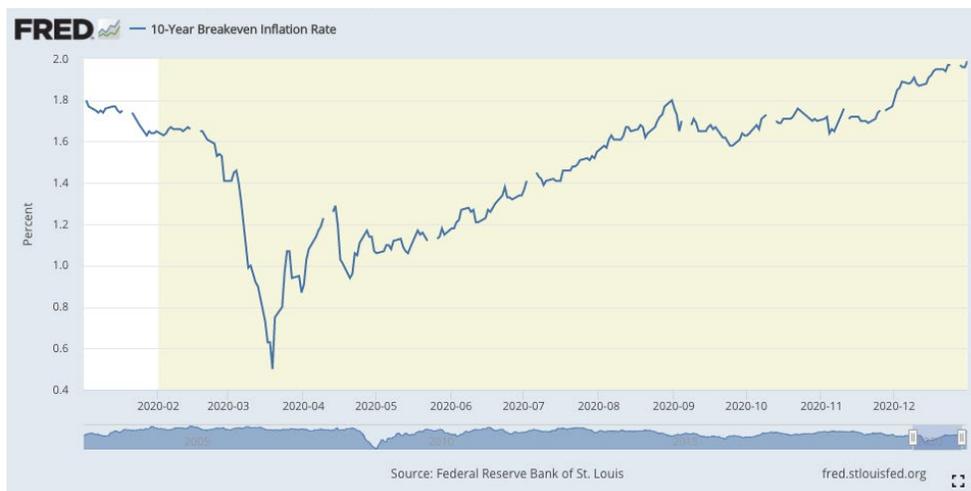
Michael Lohmeier,
Chief Investment Officer

\$25B in emergency rental assistance underscores greater bipartisan awareness of housing needs among policymakers

¹ Joint Center for Housing Studies of Harvard University, "The State of the Nation's Housing 2020"

Q4 2020 Review: Markets optimistic about continued stimulus, but inflation concerns cause yield curve steepening.

- Continued talk of economic stimulus, with the passage of a \$900 billion emergency relief package from Congress in December after months of negotiations, buoyed the continued recovery even with uncertainty stemming from the U.S. presidential election and COVID-19 vaccine developments and distribution plans.
- The 10-Year U.S. Treasury yield rose 25 basis points during Q4 but is still 95 basis points lower than where it was at the beginning of 2020, after reaching a low of 52 basis points in August.
- 10-Year breakeven inflation rates, which imply what market participants expect inflation to be in the next 10 years on average, ended the year at 1.99% after starting 2020 at 1.80% and reaching a low of 0.50% in March.



2020 IMPACT Community Capital highlights

Despite a tumultuous year marked by recession, record job losses, and an unprecedented shutdown of businesses and offices, IMPACT helped finance 4,970 units of affordable housing through a combination of 19 loan purchases and 46 forward commitments totaling more than \$250 million in 2020. This work builds on the strong investment growth in 2019, when IMPACT's work supported the creation of 2,925 affordable multi-family rental units, thanks to 36 forward commitments and purchases totaling \$109.2 million.

IMPACT finished 2020 on a strong note, with 12 loan purchases and new loan commitments totaling more than \$38 million in the fourth quarter. Among the key projects that IMPACT helped finance in the quarter were:

4,970

Affordable Multi-Family
Rental Units Financed

65

New loan purchases and
forward commitments

Commitments
totaling more than

\$250M

Spotlight: Palladium Crowley Apartments



- IMPACT helped with the acquisition of this 120-unit multifamily property in Crowley, Texas.
- The complex provides amenities that promote a sense of community, including a meeting room with a kitchen, children's playroom, business center, fitness center, swimming pool, playground, and dog park.
- Originator: Bank of America

Spotlight: Woodbridge Estates

- Located in Detroit, Michigan, this property includes 80 units for seniors, of which 61 are subsidized apartments.
- It represents the ninth phase of the larger redevelopment of the former Woodbridge Estates public housing development.
- Originator: Churchill Mortgage Investments

IMPACT continued to innovate in 2020

In 2020, IMPACT partnered with Freddie Mac to issue Freddie Mac's first social bonds, continuing IMPACT's mission to transform communities by creating scalable institutional-quality investments. IMPACT also launched a short-term bridge loan strategy designed to help preserve existing affordable units.

For further insights, see:

- Chief Investment Officer Michael Lohmeier's article on the unique nature of affordable housing debt as an asset class in the February issue of [*Real Assets Adviser* magazine](#)
- IMPACT's [inaugural video](#) installment on the bridge loan market, featuring Director, Investor Relations and Capital Markets Melissa Radic
- President and Chief Executive Officer Jeff Brenner's thoughts in [Investments & Pensions Europe Real Assets](#), discussing the growing interest in real estate impact investing among institutional investors

**In 2020, IMPACT
partnered with
Freddie Mac to
issue Freddie Mac's
first social bonds**

CONTACT US

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

Disclaimer: This article is not an offering document for any securities. It is also not an offer of, or an agreement to provide, advisory services directly to any recipient. The information presented in this article is intended to describe certain views of the author and Impact Community Capital LLC. The information presented in this article may contain statements of opinion, forward-looking statements and relies on certain assumptions. Any such opinions, forward-looking statements and assumptions may be inaccurate, and there can be no assurances that the examples included herein will reflect actual investment outcomes. Neither the author nor Impact Community Capital LLC intends or assumes any obligation to update or revise these opinions, forward-looking statements and assumptions in light of developments which differ from those anticipated. Past performance may not be indicative of future results and there can be no guarantee as to the return or volatility of any particular impact investment or set of impact investments. All investments carry a risk of loss that investors should be willing and able to bear.

IMPACT Community Capital
450 Sansome Street
Suite 1000
San Francisco, CA 94111