



Innovating the Future  
of Affordable Housing

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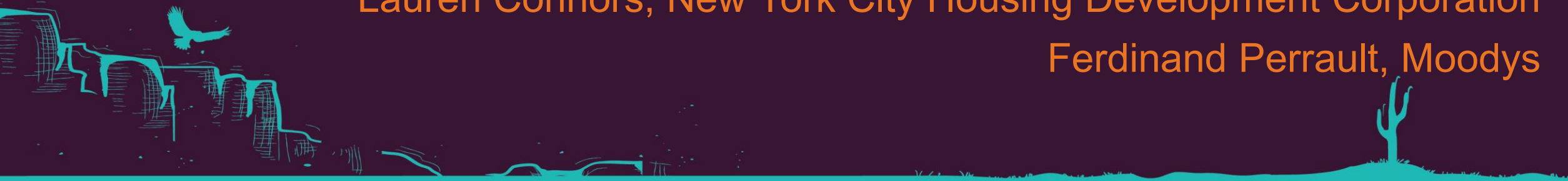


# Innovative Solutions for Multifamily Preservation: Tackling HFA Challenges

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## NYCHDC: Innovative Solutions for Multifamily Preservation: Tackling HFA Challenges

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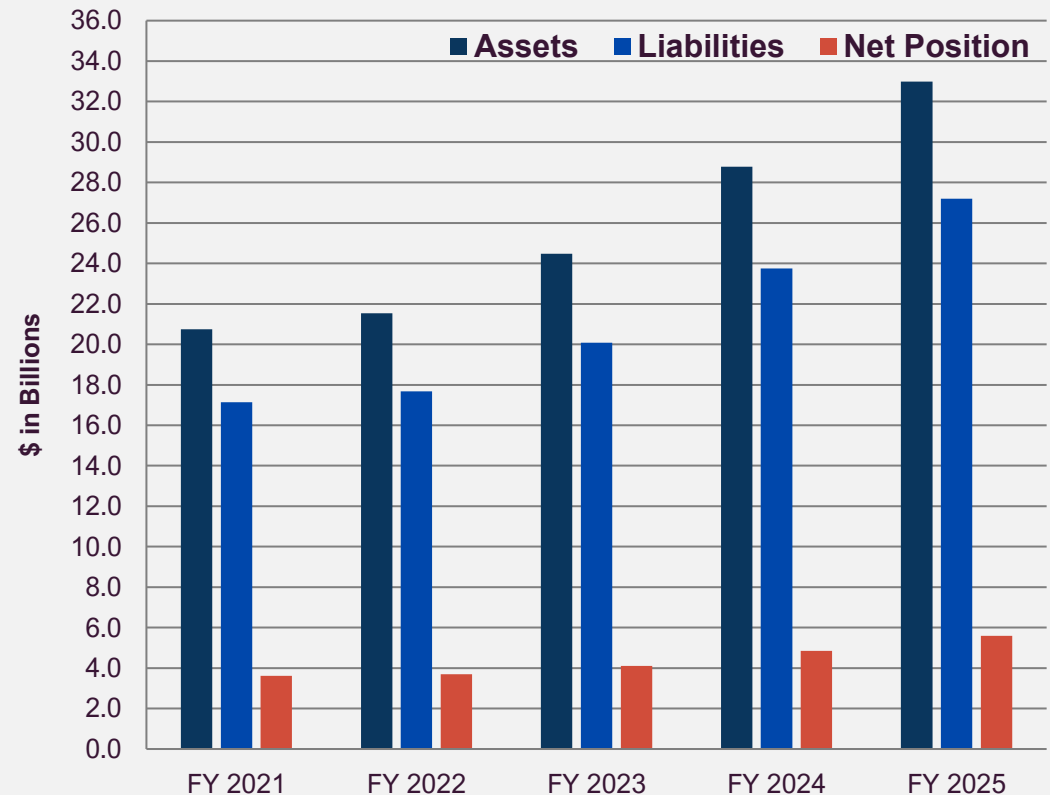


# NYCHDC Overview

## Overview

- **Public Benefit Corporation** established in 1971 to finance the creation and preservation of affordable multi-family housing in NYC
- Staff of 242 manages **~\$33B in total assets**, including **~\$25B** in multi-family portfolio comprising 280,000+ units
- **Leverage pooled bond resolutions** to build wealth and reinvest in programs, providing **~\$200mm annually in subsidy loans**
- New Construction 4% transactions financed with bond-funded senior loans, paired with LIHTC equity, subsidy loans and various tax incentives
- Preservation transactions typically financed with taxable; could include recycling based on availability

## Balance Sheet Growth



# Preservation Trends

## Challenges

Affordable Housing developments face significant headwinds:

- Operating costs have far out-stripped inflation, primarily driven by insurance, administration, utilities, and maintenance
- Projects continue to struggle with lower rent collections
- Financial distress leads to other issues, including deferred maintenance, reserve depletion, tax arrears, and growing default risk
- Interest rates remain high, making it difficult for projects to refinance



Silverleaf Hall

# Preservation Trends

## Supports

Preservation projects face a variety of macro and micro challenges that require a combination of interventions:

- Capital support
- Revenue support
- Expense support
- Organizational management support



Intervale Green

# Capital Support: Subordinated Financial Products

## Subordinated Revolving Loan: Goals

- Create a market catalyst by providing an innovative lending platform designed to increase supply by unlocking or accelerating the development or preservation of housing.
- Provide a publicly funded cost-effective, flexible financing alternative to higher-cost private equity that can generate ongoing returns and create a revolving source of funding as repayments can be recycled into future housing investments.
- Flexible source that provides cost of capital returns for the public side while also drawing interest from private equity investors.
- Can compliment private equity or be used to buy down equity participation (currently mid to high double digits returns).
- Provides risk adjusted returns for private investors who have a public partner to share in the risk and success of the project making the loan an attractive public/private option.



# Capital Support: Subordinated Financial Products

## Subordinated Revolving Loan: Terms

- Unenhanced second position lending with the collateral being the project.
- Rate: an interest rate intended to provide reasonable returns but be lower than market rate private equity return requirements.
- Term: flexible but long enough that is supported by project cash flows and refi proceeds; could be construction or perm.
- Payments are made through a share of the stabilized cash flow with typical waterfall provisions:
  - Net operating cash flow after M&O, debt service, and applicable fees
  - Surplus at conversion to permanent financing (from budget or other savings)
  - Excess refinancing proceeds or from loan upsizing
  - Any other sources the project qualifies for that can generate equity or a capital contribution where distribution is made to the borrower
  - Subordinate loan distributions consistent with borrower distributions

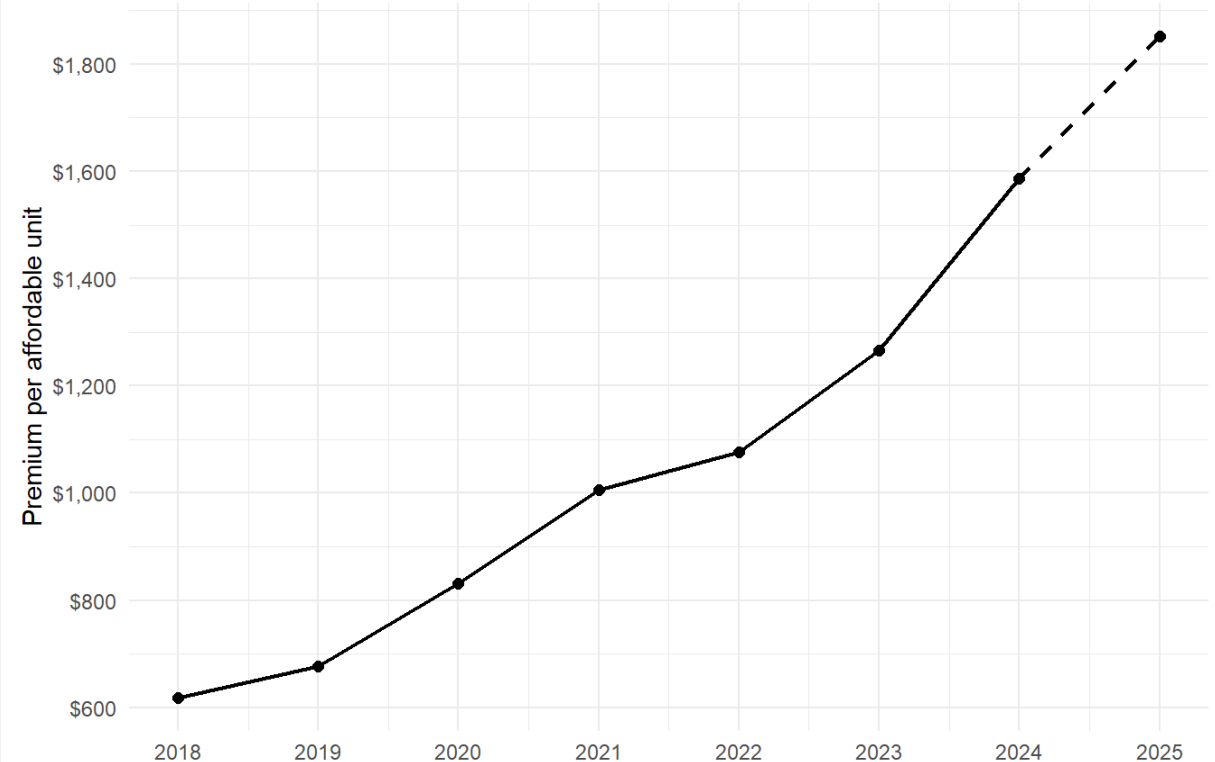
# Expense Support: Insurance

## Rising Insurance Costs

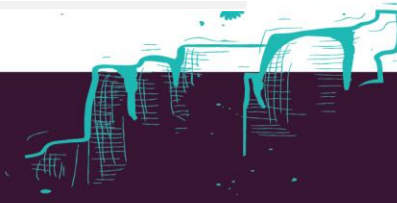
- Insurance costs in affordable housing have skyrocketed since 2018, sending building finances into distress and decreasing the impact of the City's affordable housing subsidies
- Estimated mean premium per affordable unit rose 200%, from **\$617 in 2018 to \$1,853 in 2025**
- Insurance is taking up **9%** of revenue in 2025 vs. **4%** in 2018
- Insurance is **31%** of cumulative increase in opex ('18-'25)
- Each **\$100** increase in insurance costs per unit / year costs **\$1,200** in extra City capital in new transactions

## Insurance Trends

Estimated mean insurance premium per HDC/HPD affordable unit



Note: 2025 values are estimated using 2018-2024 CAGR.



# Expense Support: Insurance

## Public Intervention in the Insurance Market

- In response, the City is looking to launch an innovative, publicly supported insurance program for affordable and rent-stabilized housing designed to:
  - Reduce and stabilize insurance premiums and expand coverage
  - Be financially self-sustaining with a strong balance sheet
  - Scale to serve ~100,000 affordable units by 2030

Next steps include:

- HDC is bringing on an independent risk consultant later this month to build the actuarial foundation for the program
- In June, the City will launch a competitive process to secure the entity that will structure and operate the program
- The new program should be operational in 2027, writing policies for the first ~20k units and scaling up to reach 100k units by 2030



# Innovative Solutions for Multifamily Preservation: Tackling HFA Challenges *Financing Structures*

Joshua Canan, Senior Vice President



May 2026

# Business Lines



**Fannie Mae  
Affordable Lender**



**Freddie Mac Optigo®  
Targeted Affordable  
Housing Lender**



**HUD/FHA Lender**



**National Tax Credit  
Equity Syndication**

- Multi-investor Funds
- Secondary Funds
- Proprietary Funds
- Direct Underwriting and Third-party Asset Management



**Balance Sheet  
Lending**

- Acquisition / Refinance
  - Construction
- Tax Credit Equity Bridge Lending



# Product Overviews: Finding the Best Solutions

- Bank / Balance Sheet Financing
  - Construction
  - Bridge Financing
  - Permanent Financing
  - Tax Exempt Private Placement
- HUD / FHA
  - 223(f) Refinance/Acquisition
  - 221(d)4 New Construction/Substantial Rehab 223(a)7 Refinance
  - 241(a) Supplemental Loan
- Freddie Mac
  - 4% Tax-Exempt Loan (TEL) and Bond Credit Enhancement
  - 9% LIHTC Cash Loan
  - Immediate and Forward Financing
  - Preservation Rehab
- Fannie Mae
  - 4% M-TEB (Forward and Immediate) and Bond Credit Enhancement
  - Immediate Preservation
  - 9% LIHTC MBS



# Preservation Rehabilitation

- Can be structured either as a forward commitment with a construction loan or as a straight-to-perm loan with a rehab escrow depending on the operations and tenant displacement during the rehab period.
- Used for both 4% LIHTC transaction (TEL / M.TEB) and standalone acquisition / refinances with planned rehab (Non-LIHTC CME / MBS).
- Allows properties to take advantage of rent increases (e.g. MUTM) and expense savings related to the planned renovations.
- For a straight-to-perm loan:
  - Rehab costs are escrowed and the work / restabilization (if required) generally must occur within 12-24 months.
  - Permanent loan is sized based on the proforma (As-Renovated) operations but must have an acceptable DCR throughout the rehab period.
  - The gap between the historical operations (As-Is) and proforma operations (As-Renovated) is collateralized by an escrow or letter of credit.
- For a construction loan / forward commitment:
  - Permanent loan is sized based on the proforma (As-Renovated) operations but no requirement for displacement or operations during rehab.



## Taxable Tails

- TELs and M.TEBs can be paired with a taxable tail for the supportable loan proceeds in excess of the tax-exempt allocation.
- Typically cross collateralized and defaulted with the tax-exempt debt.
- Priced at taxable rates and are often 50-75 bps higher than the tax-exempt debt on the same project.
- Structured as taxable bonds or a traditional cash mortgage loan.
- Can be replaced by recycled bonds, if they are available. Allows the project to received tax-exempt financing in excess of the allocation under the 25% test criteria.



# Impact to Debt Sizing

- 50% Test
  - Project NOI of \$1,500,295
  - Sized at 1.15x DCR
  - 35 yr. amortization
  - Tax-exempt rate of 5.60%
  - Supportable tax-exempt senior loan of \$20,000,000
    - \$1,304,604 in supportable debt service
    - 55% allocation
- 25% Test
  - Project NOI of \$1,500,295
  - Sized at 1.15x DCR
  - 35 yr. amortization
  - Tax-exempt - \$10,909,000
    - 30% allocation
    - Tax-exempt rate of 5.60%
    - \$711,596 in debt service
  - Taxable Tail - \$8,565,000
    - \$593,008 in available debt service
    - Taxable rate of 6.10%
  - Total senior debt of \$19,474,000, reducing proceeds by \$526,000



## Sponsor Initiated Affordability (SIA)

- Eligible for market rate properties or currently affordable properties with expiring affordability requirements.
- Borrower executes a Sponsor-Initiated Affordability Agreement that is recorded against the property for the mortgage loan term which:
  - Requires at least 20% be restricted to residents earning 80% AMI or less, as adjusted for family size.
  - Rent cannot exceed 30% of the adjusted AMI.
- Compliance is verified annually by a third-party Administering Agent.
- Depending on the level of affordability, can result in more favorable pricing and loan terms (e.g. DCR).



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Public Finance Group

**NALHFA 2026 - Innovative Solutions for  
Multifamily Preservation: Tackling HFA  
Challenges**

Ferdinand S. Perrault

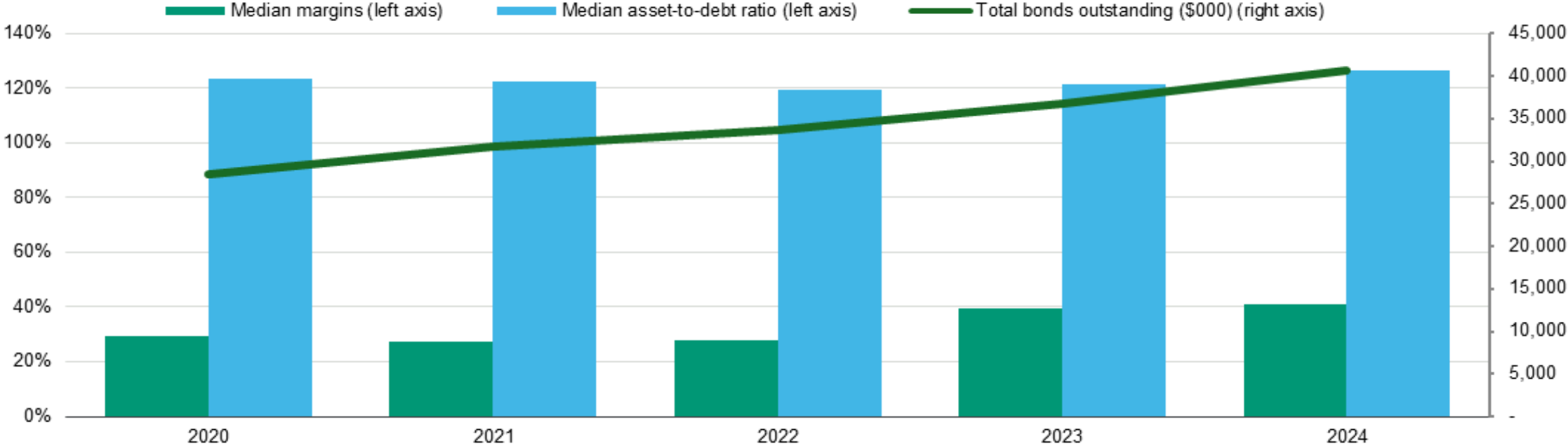
Vice President & Senior Credit Officer - Housing and Community Lending Team

The background is a solid dark blue color. It features several large, overlapping, wavy patterns made of thin, light blue lines. These patterns resemble stylized waves or ripples, creating a sense of movement and depth. The lines are most prominent in the upper left and right areas, with some fading towards the center.

# **HFA Multifamily Outlook**

# HFAs' strong margins and asset-to-debt ratios will support financial stability

Programs well positioned to absorb potential loan losses or increased leverage

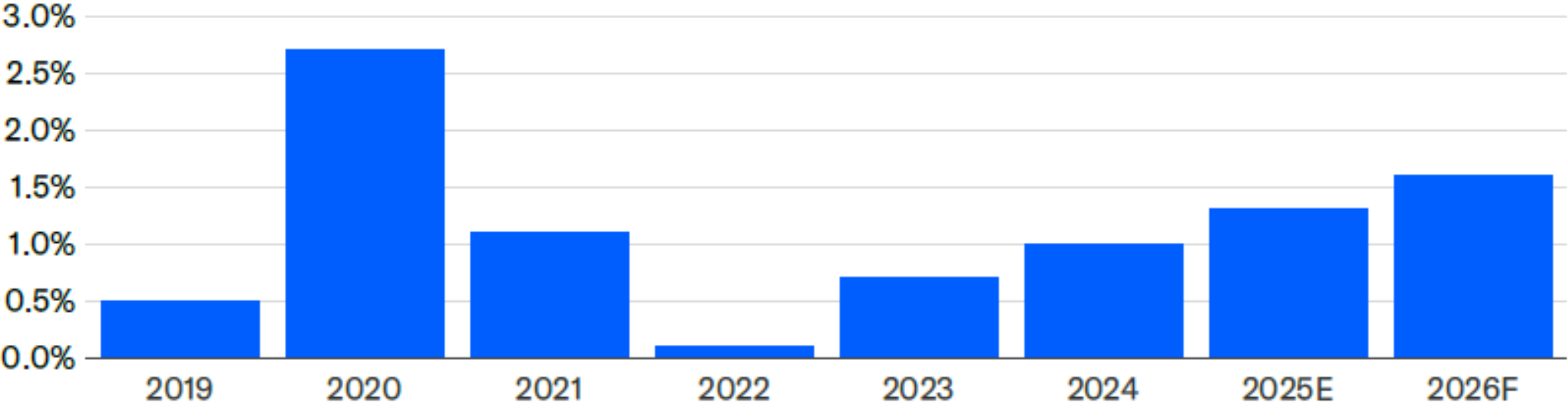


Margins refer to net revenues as a percentage of total revenues.

Source: HFAs and Moody's Ratings

# High demand will sustain occupancy, but delinquencies will experience slight uptick

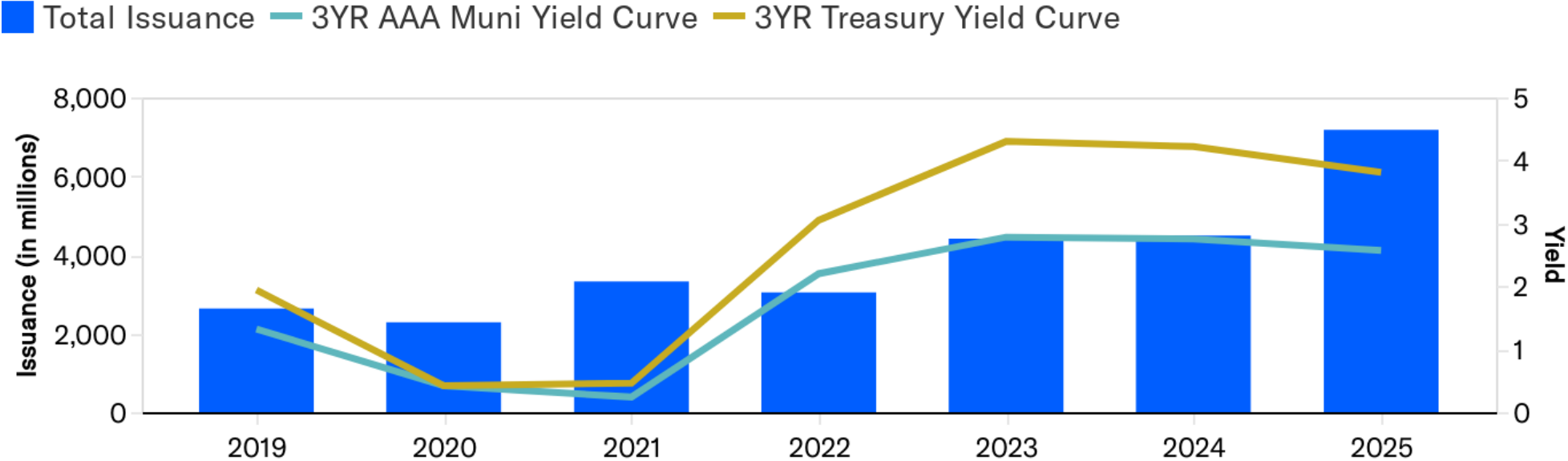
Expense growth has compounded, buffered by high debt service coverage and insurance



Footnote: Moody's rated projects; portfolio delinquencies includes loans that are 60+ days delinquent, in foreclosure, real estate owned (REO), in workout, or in forbearance.  
Source: Moody's HFA Surveys.

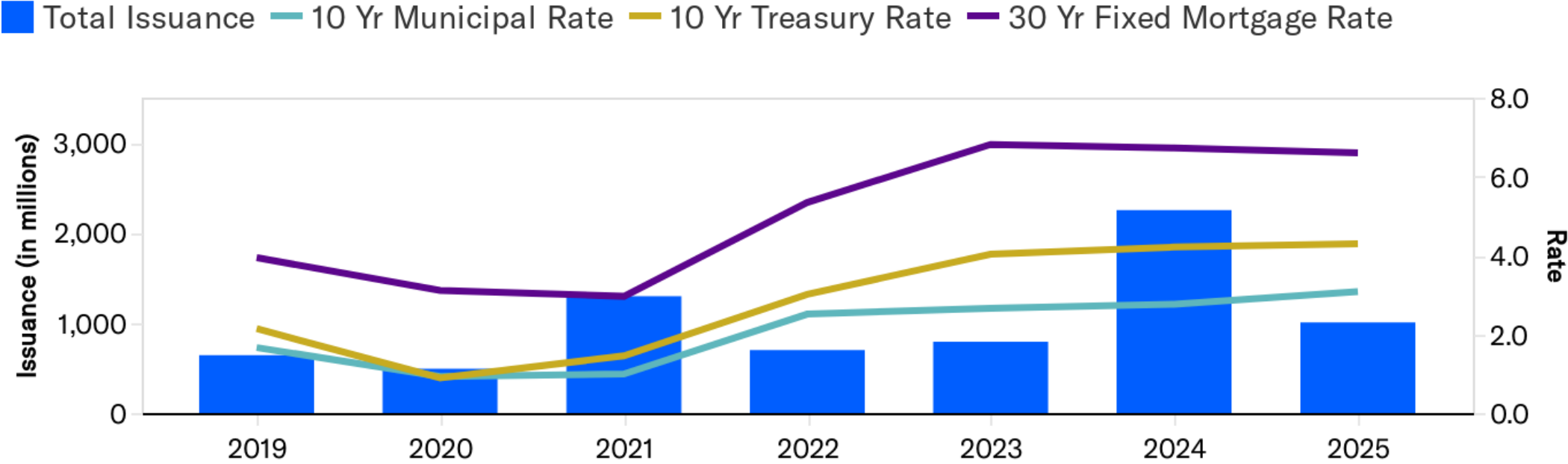
Source: HFAs and Moody's Ratings

# Local HFA issuance - cash-collateralized continue to rise



Source: Electronic Municipal Market Access, U.S. Department of Treasury, Bloomberg and Moody's Ratings

# Local HFA issuance - MTEBs volume dropped































Source: Electronic Municipal Market Access, U.S. Department of Treasury, Freddie Mac and Moody's Ratings

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# Impact of Policy Shifts

# Pending policy shifts impact on multifamily vary

Low impact    High impact

Downside policy scenario	Severity		Affected portfolio		
	Existing programs	Future pipeline	Issuer level	Single family programs	Multifamily programs
Loss of tax-exempt financing					
Reduction in Section 8 Project-Based Vouchers					
GSEs' exit from conservatorship with lower credit quality					
Significant reduction in HUD or FHA staffing					
Deep cut in HUD grant funding					
Tariffs on imports					

# Federal policy could both benefit and challenge the sector in 2026

## LIHTC changes favorable but present challenges

- Expanded credit allocations and a reduction of the 4% LIHTC PAB threshold from 50% to 25%
- Additional gap financing needed

## Credit negative proposals did not pan out

- HUD funding and Section 8 remained intact

## Additional proposals will emerge in 2026

- The implications will depend on the policies' impact on housing supply, home prices and mortgage rates.

# Impact of potential release from conservatorship

## Moody's FIG team added new ratings to Fannie/Freddie 1/9/26

- (P)Aa1 senior secured shelf rating
- Aa1(cr) long-term Counterparty Risk Assessment (CRA)
- Outlooks on all ratings are stable

## (P)Aa1 senior secured shelf rating represents credit quality of MBS programs

- MBS rating is positioned at the same level as US government long-term issuer rating
- Assumes MBS are essentially backstopped by the US government, even though there is not an explicit government guarantee in place
- Assumptions are based on the GSE's critical importance to the US housing ecosystem and mortgage market, including during periods of prolonged market and economic uncertainty
- Should there be a shift in its conservatorship status or other significant change in its relationship with the US government, we would likely continue to view MBS as effectively government-backed
- However, we may consider Fannie Mae's or Freddie Mac's Aa1 issuer and senior unsecured ratings to benefit from a lower probability of US government support

**Thank you**

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