



Innovating the Future
of Affordable Housing

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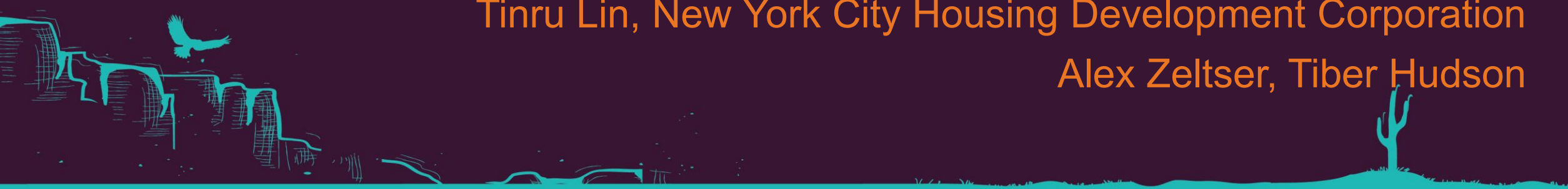
Recycled Bonds in 25% Test World: Expanding Multifamily Resources

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What is the 25% Test? And Why Does This Change Matter?

- The 25% test is the newly lowered threshold of **tax-exempt private activity bond (PAB) financing required for a project to qualify for 4% LIHTCs**
 - Before this change, developers needed to meet the **50% test**, meaning at least half of a project's aggregate basis had to be financed by PABs
 - Part of One Big Beautiful Bill Act (H.R. 1) signed in mid-2025 – **cutting the requirement by half effective beginning January 1, 2026**
 - 4% LIHTC Equity remains the same amount based on full eligible basis regardless of the test which governs access to the credits, not the actual amount
- Lowering the threshold from 50% to 25% dramatically increases the number of projects that can qualify for 4% LIHTC financing without being constrained by state PAB volume caps
 - **Improved feasibility for projects** → many projects sit in the pipeline that never gets financed because of lack of volume cap or struggled to meet the higher 50% threshold before especially for smaller or rural type projects
 - States can now fund more projects with their existing PAB allocations, **stretching scarce resources to produce more affordable units** → analysis from taxcreditcoalition.org suggest the 25% test could finance over 1 million additional affordable homes over the next decade that would not have been reached
 - **Lower bond cost / debt burden on projects** → Prior 50% test threshold typically requires short term tax credit bonds or cash collateralized bonds to be issued above the portion supported by the permanent loan; lowering the threshold means fewer bond proceeds and less issuance costs for developments

Sources: housingfinance.com, taxcreditadvisor.com, csgadvisors.com

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Benefits and Challenges for Developers and Lenders

- Benefits
 - Easier qualification for 4% LIHTCs now with more PAB to spread across more projects
 - Lower bond issuance amounts and associated costs
 - More flexibility in sources and uses not solely relying on bonds
 - Capital stack may be more efficient with less bonds issued, same LIHTC equity
 - Greater predictability for future pipeline production given permanent reform
- Challenges
 - Some projects may require more taxable construction debt, potentially increasing interest costs
 - Gap financing needs may rise, as less bond debt could mean smaller loan proceeds upfront
 - Subsidy needs may increase as the number of developments to be financed increases
 - Requires careful recalibration of project underwriting assumptions to balance the lower tax-exempt bond usage with higher taxable debt
- Implications
 - Develop a bond sizing strategy → most states are allocating 25 – 30% with built in basis cushion expectations
 - Leverage Recycling where possible → recycle refunded bonds issued (ST) and channel them into smaller projects that wouldn't get 4% credits or as additional T-E financing to bridge the construction
 - Prioritize to increase the pipeline → supportive housing, senior housing, preservation, mixed-income
 - LIHTCs pricing may be impacted → pricing has come down in certain markets
 - Use recycled cap and taxable construction debt if need be to fill the gap → maximize resources in this new landscape

Sources: housingfinance.com, taxcreditadvisor.com, csgadvisors.com

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Theoretical Capital Stack Under Old 50% Test and Under New 25% Test (Actual Project Underwriting Will Vary)

Example: \$150 Million Total Development Cost, 100% Affordable

Capital Source	Old 50% Test	New 25% Test
Tax-Exempt PABs	~\$75MM (50% of TDC required) • Often includes excess or short-term bonds to satisfy test	~\$38MM (25% of TDC) • ~50% reduction in required bond volume
4% LIHTC Equity	~\$40–45MM • Based on full eligible basis	~\$40–45MM (<i>unchanged</i>) • Test governs access, not credit amount
Permanent Mortgage	~\$25–35MM • Typically structured as long-term tax-exempt bonds • Sized to rents and DSCR	~\$25–35MM • Could be similar in size • Funded with recycled PABs or taxable debt to preserve cap
Soft Subsidy (State / City / Issuer)	~\$20–30MM	~\$5–15MM lower due to reduced bond issuance and costs
Typical Gap	~\$10–25MM • Often filled with city or state soft funding	Reduced or eliminated depending on project and financing mix
PAB Volume Efficiency	Constrained by high bond requirement	~\$37MM of PAB capacity preserved

Sources: taxcreditadvisor.com, csgadvisors.com

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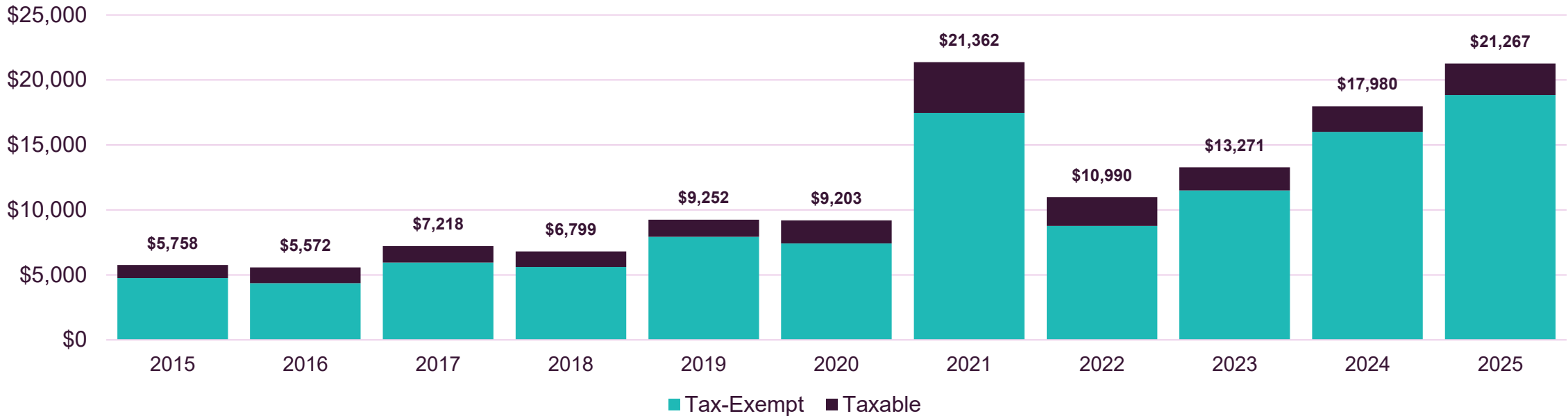


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Multifamily Production: With the 25% Test, Do We Anticipate Double the Volume as More Volume Cap is Stretched Across More Developments?

Annual Multifamily Housing Issuance by Tax Status (\$MM)



- Multifamily issuance in 2025 broke record totaling \$21 billion, a 18% YoY increase (and nearly doubled since 2022)*
 - 2025: TE = \$18.8bn TX = \$2.4bn (FY 2026: TE = \$3.3bn / TX = \$375mm / Total = \$3.7bn)
- Tax-exempt volume driven by 4% LIHTC PABs while taxable provides for additional financing (i.e. subsidy or second lien loans, construction lending programs, limited obligation bonds to fund housing initiatives)

Source: SDC via Refinitiv; data from 1/1/2000 to 12/31/2025; negotiated and competitive deals only; par amounts shown millions. Tax-exempt volume includes non-AMT and AMT transactions.

* Multi-Family component included approximately \$7 billion of "workforce" housing bonds majority issued in 2021.

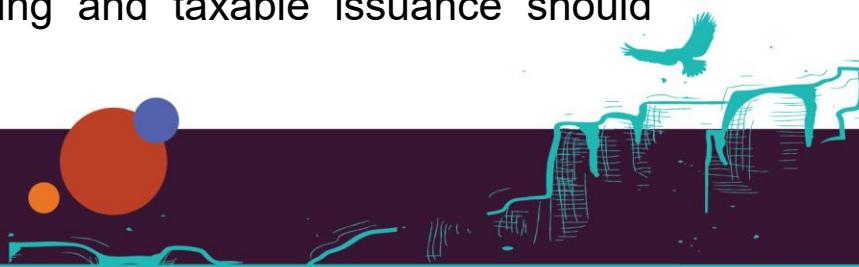


Sample Local HFA Profiles (Ranked by Issuance Volume)*

NALHFA Member (Issuer) (Order by Issuance Volume)	Volume since 2020 (\$MM)	Issuance Type		Tax Status			State	State Population	Volume Cap (\$MM)	Total State Volume (\$MM)	Issuer's Percentage of State Volume	2026	2025	2024	2023	2022	2021	2020	Multi Family	Single Family
		Multi Family Housing	Single Family Housing	Non-AMT	AMT	Taxable													Housing	Housing
NYC Housing Dev Corp	14,712.025	100.0%	-	72.1%	0.5%	27.4%	NY	19,867,248	2,682.078	30,354.047	48.5%	633.585	2,724.445	2,318.580	1,760.570	2,113.850	2,981.100	2,179.895	14,712.025	-
Miami-Dade Co Housing Fin Auth	1,347.044	100.0%	-	100.0%	-	-	FL	23,372,215	3,155.249	9,359.795	14.4%	19.000	380.085	174.171	270.357	38.455	183.576	281.400	1,347.044	-
San Francisco City/Co-California	989.189	23.6%	76.4%	21.5%	-	78.5%	CA	39,431,263	5,323.221	26,575.335	3.7%	-	285.160	-	170.780	-	317.085	216.164	233.159	756.030
Montgomery Co Hsg Opportunities Comm	931.295	64.2%	35.8%	82.1%	0.9%	17.0%	MD	6,263,220	845.535	7,096.808	13.1%	150.000	126.575	47.475	193.145	31.600	315.155	67.345	598.075	333.220
Texas State Affordable Hsg Corp	491.621	72.5%	27.5%	96.3%	-	3.7%	TX	31,290,831	4,224.262	13,520.558	3.6%	-	-	91.500	175.448	56.530	59.151	108.992	356.621	135.000
Broward Co Housing Finance Auth	359.360	100.0%	-	100.0%	-	-	FL	23,372,215	3,155.249	9,359.795	3.8%	-	-	34.550	186.140	55.700	16.500	66.470	359.360	-
Orange Co Housing Finance Auth	347.391	78.5%	21.5%	96.5%	-	3.5%	FL	23,372,215	3,155.249	9,359.795	3.7%	-	15.550	89.370	15.000	79.500	63.830	84.141	272.600	74.791
Pinellas Co Housing Fin Auth	341.140	66.5%	33.5%	92.6%	-	7.4%	FL	23,372,215	3,155.249	9,359.795	3.6%	-	156.800	42.000	30.900	30.400	59.440	21.600	226.980	114.160
Hillsborough Co Housing Fin Auth	345.467	100.0%	-	85.5%	-	14.5%	FL	23,372,215	3,155.249	9,359.795	3.7%	47.000	78.200	51.307	50.200	-	106.760	12.000	345.467	-
Palm Beach Co Housing Fin Au	299.861	100.0%	-	100.0%	-	-	FL	23,372,215	3,155.249	9,359.795	3.2%	34.000	-	-	64.449	19.650	59.000	122.762	299.861	-
Capital Area Housing Fin Corp	286.962	100.0%	-	99.2%	-	0.8%	TX	31,290,831	4,224.262	13,520.558	2.1%	-	-	31.590	-	18.200	87.300	149.872	286.962	-
Houston Housing Finance Corp	226.826	100.0%	-	100.0%	-	-	TX	31,290,831	4,224.262	13,520.558	1.7%	-	-	33.370	75.263	39.175	60.518	18.500	226.826	-
Fairfax Co Redevel & Housing Auth	216.099	100.0%	-	100.0%	-	-	VA	8,811,195	1,189.511	8,442.129	2.6%	-	-	69.150	77.760	10.439	32.250	26.500	216.099	-
Lee Co Housing Finance Authority	206.450	100.0%	-	100.0%	-	-	FL	23,372,215	3,155.249	9,359.795	2.2%	39.768	80.500	-	72.182	14.000	-	-	206.450	-
Austin Housing Finance Corp	201.768	100.0%	-	100.0%	-	-	TX	31,290,831	4,224.262	13,520.558	1.5%	-	-	-	140.818	16.000	21.000	23.950	201.768	-
Pima Co Industrial Dev Auth	152.000	34.2%	65.8%	98.8%	-	1.2%	AZ	7,582,384	1,023.622	2,085.876	7.3%	-	52.000	75.000	25.000	-	-	-	52.000	100.000
North Central Texas Hsg Fin Corp	118.000	79.7%	20.3%	100.0%	-	-	TX	31,290,831	4,224.262	13,520.558	0.9%	24.000	-	-	-	22.500	23.000	48.500	94.000	24.000
San Antonio City-Texas	100.520	100.0%	-	-	-	100.0%	TX	31,290,831	4,224.262	13,520.558	0.7%	-	-	-	-	100.520	-	-	100.520	-
Manatee Co Housing Finance Auth	88.500	100.0%	-	100.0%	-	-	FL	23,372,215	3,155.249	9,359.795	0.9%	-	-	-	-	88.500	-	-	88.500	-
Harris Co Housing Auth Pub Fac Corp	66.778	100.0%	-	100.0%	-	-	TX	31,290,831	4,224.262	13,520.558	0.5%	-	-	-	-	-	-	66.778	66.778	-
Harris Co Housing Finance Corp	51.440	100.0%	-	100.0%	-	-	TX	31,290,831	4,224.262	13,520.558	0.4%	-	31.480	19.960	-	-	-	-	51.440	-
El Paso Housing Finance Corp	45.000	44.4%	55.6%	100.0%	-	-	TX	31,290,831	4,224.262	13,520.558	0.3%	-	25.000	-	20.000	-	-	-	20.000	25.000
Garland Housing Fin Corp	22.630	100.0%	-	100.0%	-	-	TX	31,290,831	4,224.262	13,520.558	0.2%	-	-	22.630	-	-	-	-	22.630	-
Washington Co Comm Dev Agency	19.675	100.0%	-	100.0%	-	-	MN	5,793,151	782.075	7,550.196	0.3%	-	11.455	8.220	-	-	-	-	19.675	-
El Paso Housing Corp	18.195	100.0%	-	100.0%	-	-	TX	31,290,831	4,224.262	13,520.558	0.1%	-	-	-	-	18.195	-	-	18.195	-
Nortex Housing Finance Corp (TX)	15.000	100.0%	-	100.0%	-	-	TX	31,290,831	4,224.262	13,520.558	0.1%	-	15.000	-	-	-	-	-	15.000	-
Panhandle Regional Hsg Fin Corp	13.000	100.0%	-	100.0%	-	-	TX	31,290,831	4,224.262	13,520.558	0.1%	-	-	-	-	-	-	13.000	13.000	-
El Paso Housing Authority	4.181	100.0%	-	100.0%	-	-	TX	31,290,831	4,224.262	13,520.558	0.0%	-	-	-	-	-	4.181	-	4.181	-
District of Columbia	3.522	100.0%	-	100.0%	-	-	DC	702,250	397.625	1,881.748	0.2%	-	-	-	-	3.522	-	-	3.522	-
Totals over 6.31 years	22,020.939											947.353	3,982.250	3,108.873	3,328.012	2,756.736	4,389.846	3,507.869	20,458.738	1,562.201

- Local HFAs rely heavily on volume cap allocation for multifamily production (no volume cap means no volume)
- The lower threshold of 25% coupled with expanding resources with recycling and taxable issuance should increase overall production

*SDC Data from 1/1/2020 to 4/30/2026.





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Recycled Bonds in a 25% Test World: Expanding Multifamily Resources

Alex Zeltser (alex@tiberhudson.com) – Tiber Hudson



25% Test

Supplemental Bonds

- If a project will be placed in service prior to January 1, 2026, must meet 50% test.
- Transactions closed prior to January 1, 2026, that will not be placed in service prior to January 1, 2026, can take advantage of the 25% test if additional bonds are issued on or after such date.
- Additional bond issuance would be sized to the **lesser** of (i) the amount needed to meet the 50% test, or (ii) 5% of aggregate basis.
- Draw-down bonds issued prior to January 1, 2026, but funded in part on or after January 1, 2026, **WOULD NOT** qualify a deal for the 25% test. Must be a new 2026 issuance.
- Carryforward allocation that is issued after Dec 31, 2025, **WOULD** qualify for the 25% test.

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Production and Cost Logistics

- Reducing the 50% test to the 25% test could theoretically double the volume of transactions closed, particularly in volume cap-constrained states, but there are challenges that could restrict this impact.
- Many groups (including issuers) base their fees on the total bond issuance. Reducing the bond amount by half would result in a corresponding reduction in fees, despite largely the same work required.
- These groups would need to double their deal volume in order to maintain the same fee income annually, but in many cases are at maximum capacity under the current volume.

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Tiber Hudson's Recommendation

- Issuers should allocate MF PABs to 4% deals in an amount equal to the higher of:
 - (1) 30% of aggregate basis or
 - (2) permanent supportable debt.
- Any amount in excess of 30% can be funded with recycled bonds if available.
- Result would keep all supportable debt at lower tax-exempt rates and avoid the increased cost associated with taxable debt.

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Basic Rules for Recycled Bonds



Recycled Bond Basic Rules

What are the basic rules for recycled bonds?

- Must be previously issued multifamily housing private activity bonds redeemed within 4 years of the initial issuance.
 - If redemption occurs 4 years and 1 day after the initial issuance, does not qualify.
- Can be redeployed **one time** to another multifamily project within the state.
- Maximum maturity date of 34 years from date of issuance of original bonds.

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Recycled Bond Benefits and Applications

Recycled Bond Benefits and Applications

Why are recycled bonds beneficial?

- Developers can often access lower cost debt (vs. taxable bonds or loans).
- Issuers can typically generate additional fee revenue from recycled cap that would have otherwise been lost.
- Recycled bonds can be used in lieu of bonds if project is not seeking 4% LIHTCs.

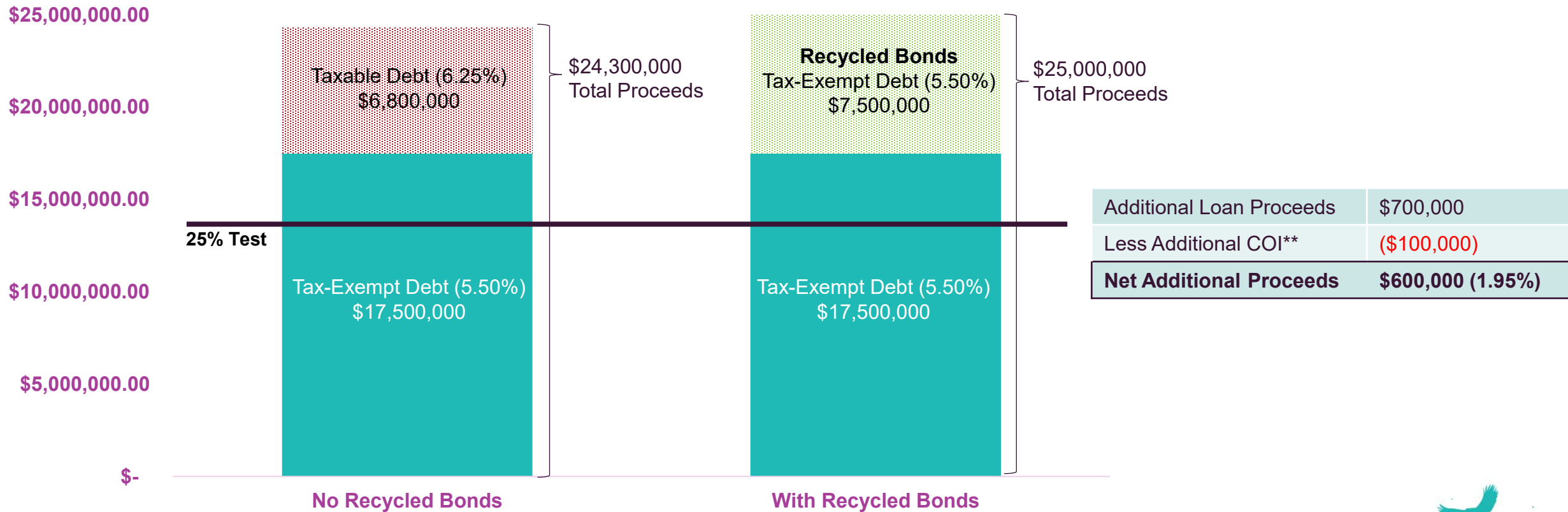
In what situations would an issuer or developer be interested in recycled bonds?

1. To supplement volume cap on 4% LIHTC transactions in order to obtain additional tax-exempt debt
 - Mixed income (80/20) deals.
 - Affordable housing transactions that can support permanent debt in excess of the allocation obtained from the state (i.e., 27-30% of aggregate basis) needed to qualify for 4% LIHTCs.
2. To access tax-exempt debt for a non-LIHTC project with a for-profit owner.

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Primary Uses of Recycled Bonds

Additional tax-exempt (vs. taxable) permanent debt for transactions with supportable debt in excess of the 25% Test amount*.



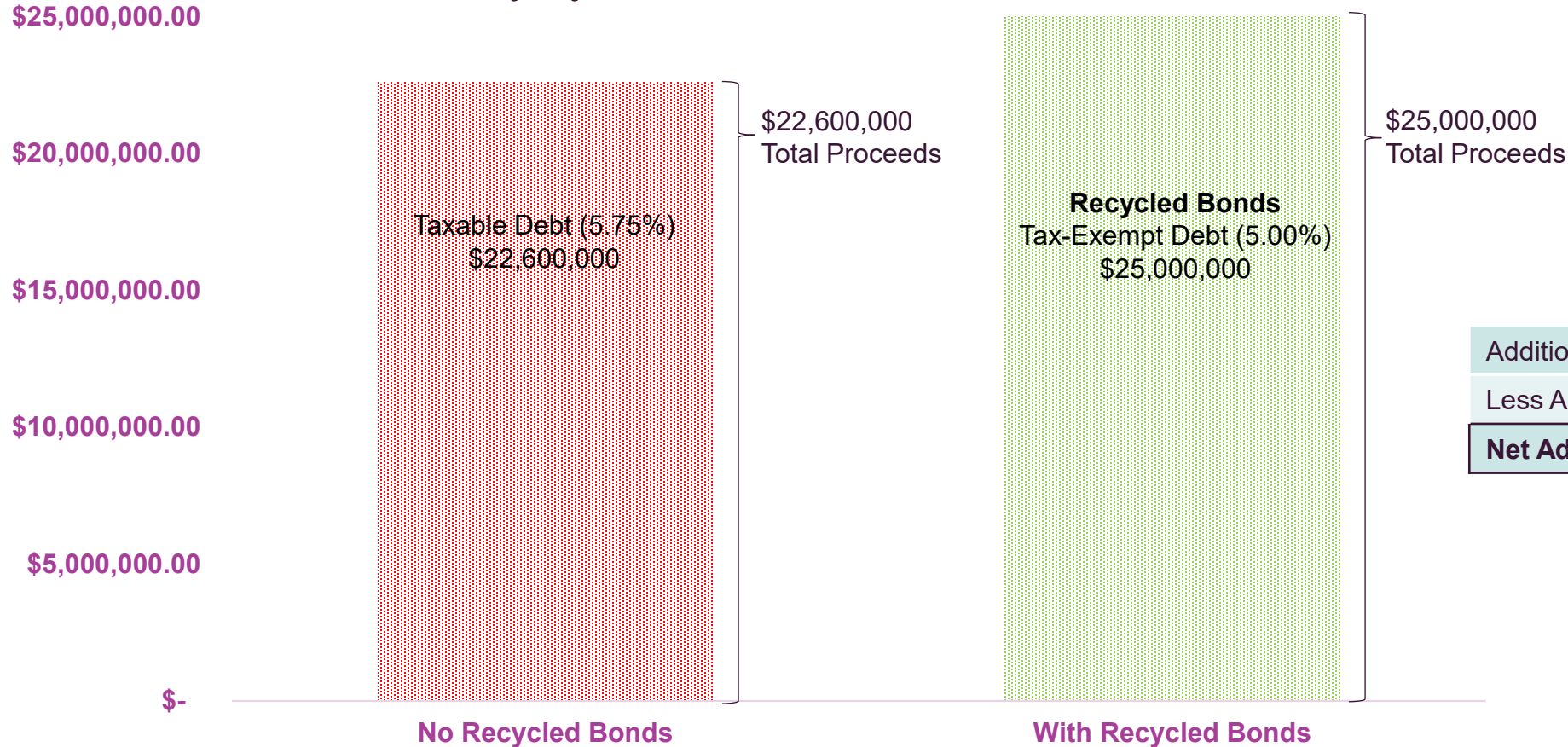
* Rate differential can range from 40-125 basis points depending on debt execution

** Costs of issuance vary based on jurisdiction and debt execution

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Primary Uses of Recycled Bonds

Tax-exempt permanent debt for non-LIHTC projects that would otherwise be financed entirely by taxable debt*.



Additional Loan Proceeds	\$2,400,000
Less Additional COI**	(\$250,000)
Net Additional Proceeds	\$2,150,000 (8.60%)

* Rate differential can range from 40-125 basis points depending on debt execution

** Costs of issuance vary based on jurisdiction and debt execution

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Recycled Bond Best Practices

Recycled Bond Best Practices – For Issuers

What are some best practices for issuers to maximize the use of recycled bonds?

- Attempt to track timing of redemption from prior issues.
- Mandate the use of trustee or fiscal agent to help with tracking redemptions and gathering information following the closing of the initial issuance.
- Have available as many tools as possible to use recycled bonds, and be open to utilizing all of the viable methods for deploying them.
- Set internal policies and procedures for the allocation of recycled bonds.
- The benefit of recycled bonds is directly related to the net cost relative to alternative (taxable) debt. As such, some adjustment to costs and fees associated with the recycled bonds may be appropriate.

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Recycled Bond Best Practices – For Issuers (cont'd.)

What are some best practices for issuers to maximize the use of recycled bonds?

- Incentivize developers to combine volume cap awards with recycled bonds to maximize the application of various limited resources.
- For new deals, allocate recycled bonds to longer-term debt (i.e., 4+ years) and any new money bonds to short-term debt (i.e., less than 4 years).
- Structure any short-term bonds with prepayment flexibility to help align timing with any future deals that may seek to use recycled bonds.
- If applicable, structure documents to allow for the issuance of future bonds for the project upon applicable approvals.

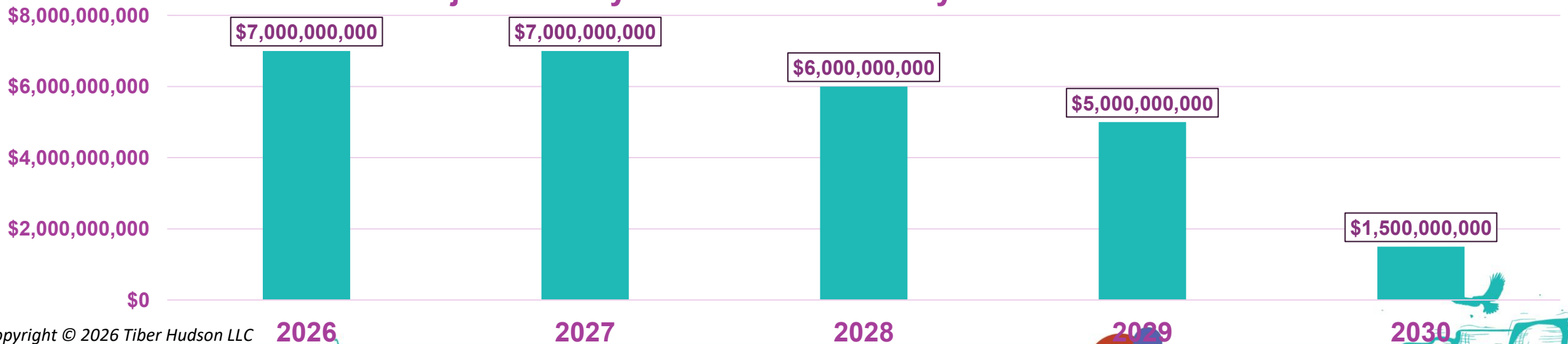
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Recycled Bond Long-Term Supply

How long will bond recycling be viable?

- Interest rates: using recycled bonds is only beneficial if the net cost to obtain them is lower than other (taxable) alternatives.
- Volume of recycled bonds: the primary source of recycled bonds is excess bonds issued under the 50% test. These “overhang” bonds are not expected in many deals under the new 25% test rules. As such, after roughly 3.5 years, the eligible recycled bond pool is expected to dramatically shrink absent any changes to the tax rules. Now is the time to act!

Projected Recycled Bond Availability – Next 5 Years



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ReBonds

- ReBonds is a nationwide database of upcoming redemptions available for recycling, designed to match developers with upcoming projects in need of recycled cap with eligible redemptions within the state.
- Provides an interface for issuers and developers to track their upcoming redemptions and gain insight into upcoming projects that could benefit from recycled bonds.
- ReBonds is now live, visit rebonds.com to learn more, or scan the QR code below to sign up today.



ReBonds



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Follow the QR code below to request a copy of these slides and various other informational materials from Tiber Hudson, or to schedule a free bond training session with our team.



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Recycled Bonds in a 25% Test World: Expanding Multifamily Resources

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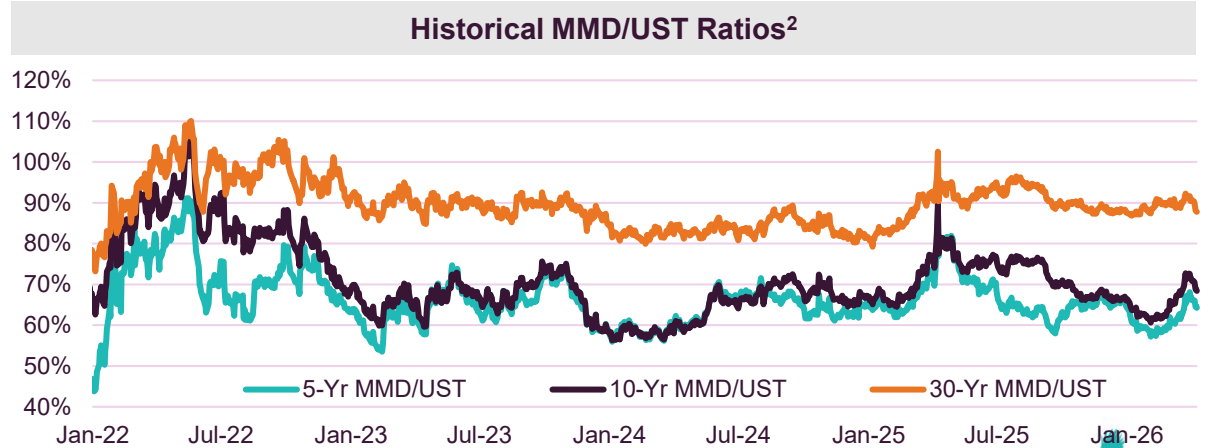
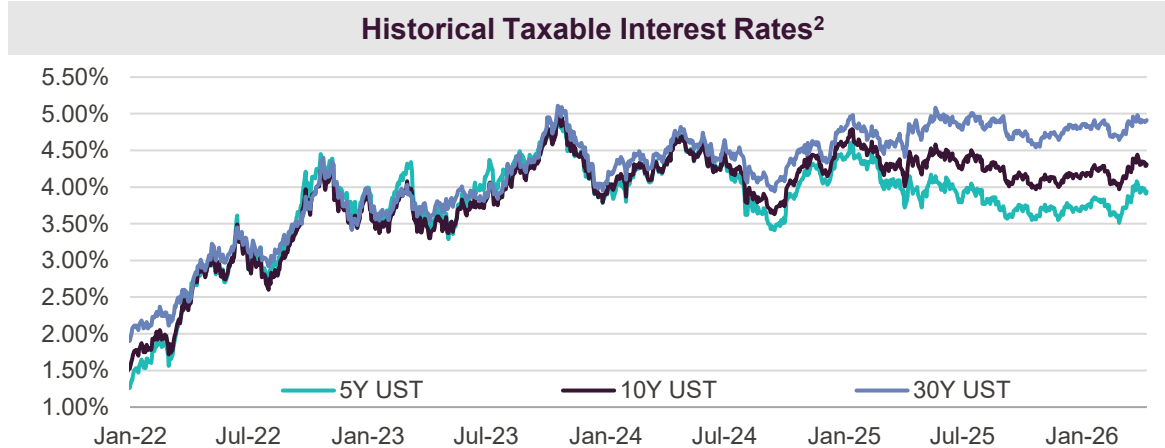
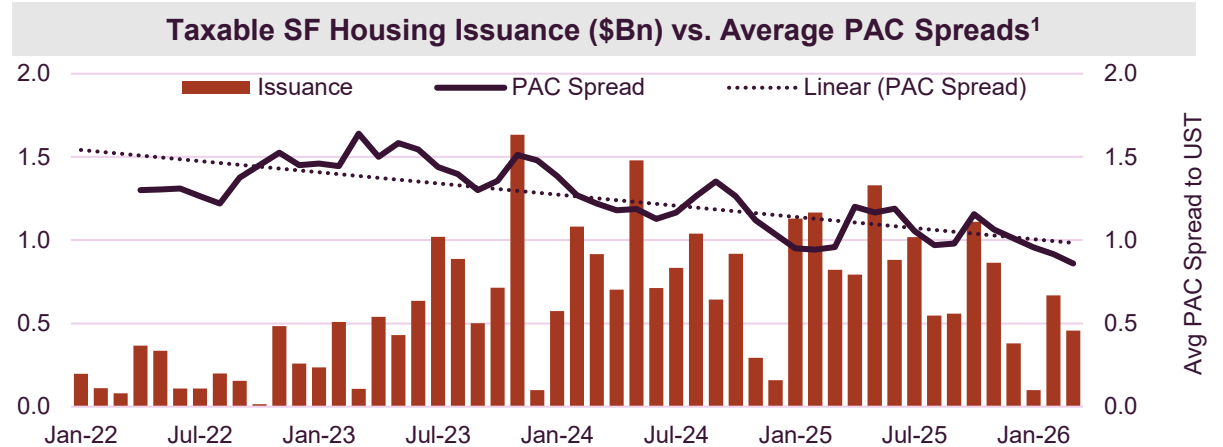
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Outlook for Taxable Multifamily Bonds

Transition to the 25% Test will increase the need for taxable bonds. How will the market respond?

- Growth in single family taxable issuance could prove to be a good comparison
 - Taxable PACs were extremely rare before 2022, but as volume picked up, spreads have tightened
- As a result of single-family growth, taxable investors are already familiar with housing calls, but may need some education on multifamily provisions
- How should investors think about prepayment risk on taxable bonds associated with LIHTC projects?



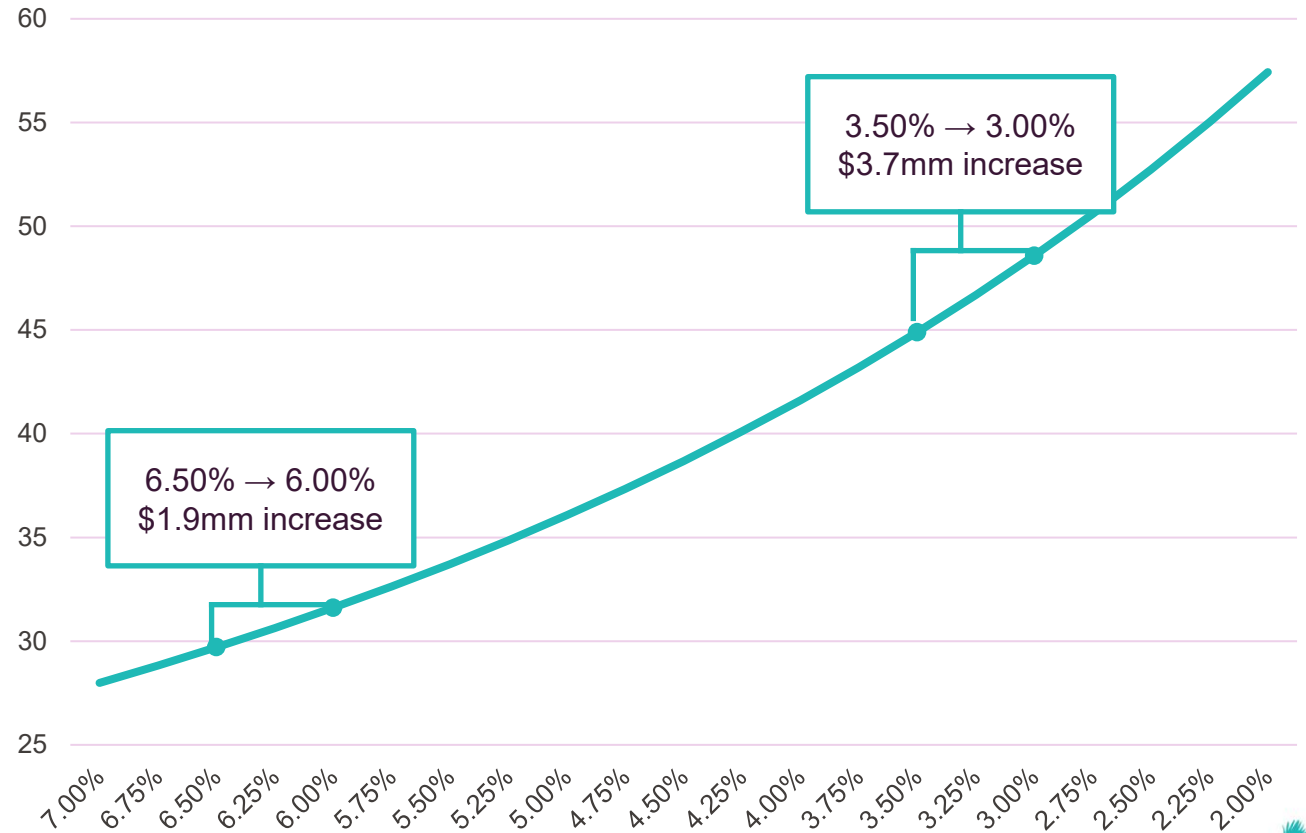
Source: (1) SDC Platinum (2) U.S. Department of Treasury and Thomson Reuters TM3, as of 4/10/2026



Moving from Volume Cap Constraint to Subsidy Constraint

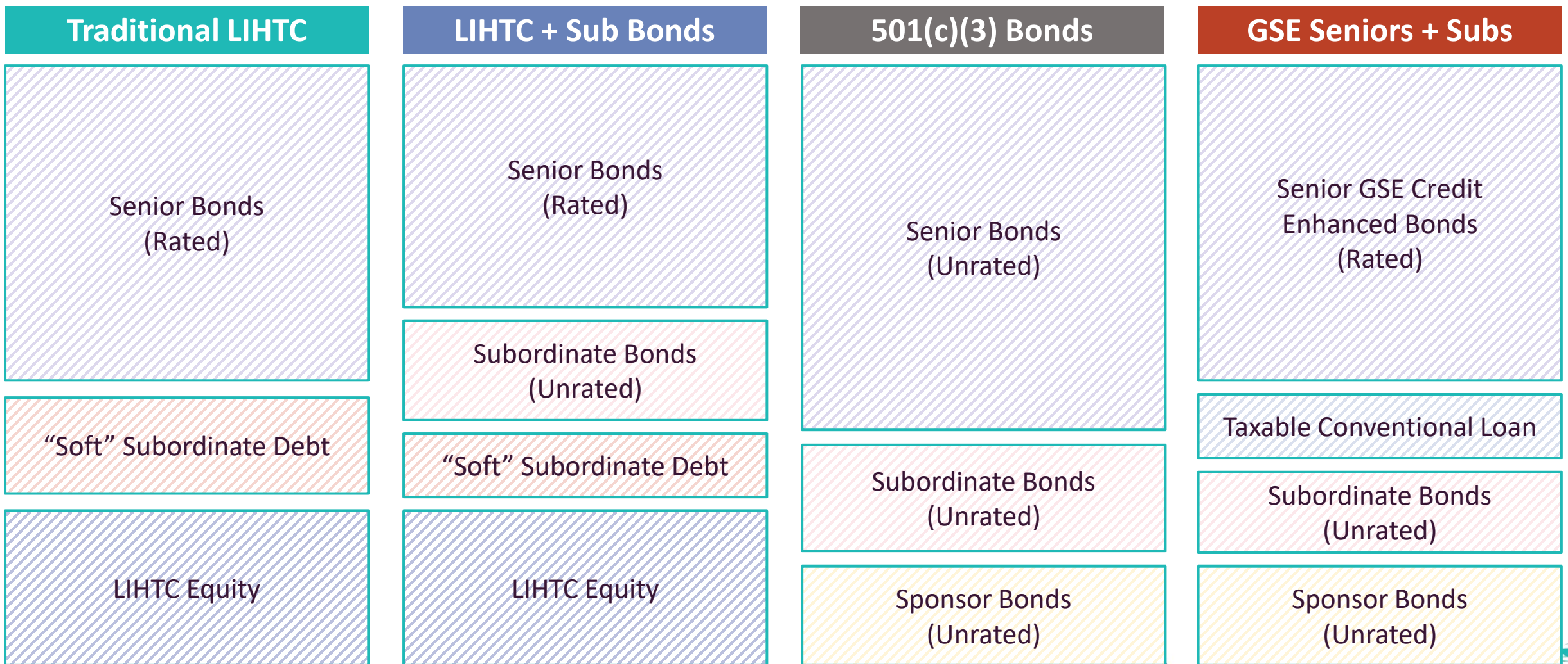
- In the 25% world, subsidy funds are likely to be a bigger constraint than volume cap
- Issuers should remain focused on permanent loan executions that offer a lower mortgage rate
- For example:
 - A reduction in mortgage rate from 6.50% to 6.00% increases the maximum permanent loan size by over 6% for a 40-year amortization
 - This is more pronounced when rates are lower:
 - A reduction from 3.50% to 3.00% offers an over 8% increase in maximum loan size, using the same assumptions
 - Such increases in loan amount, whether funded with tax-exempt (new money or volume cap) or taxable bonds, can help issuers to stretch limited subsidy funds

Maximum Permanent Loan Size by Mortgage Rate (\$Million)



Assumes \$200,000 monthly NOI, 40-year amortization and 1.15x DSCR

Alternative Capital Stacks For Affordable Housing





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Recycled Bonds in a 25% Test World: Expanding Multifamily Resources

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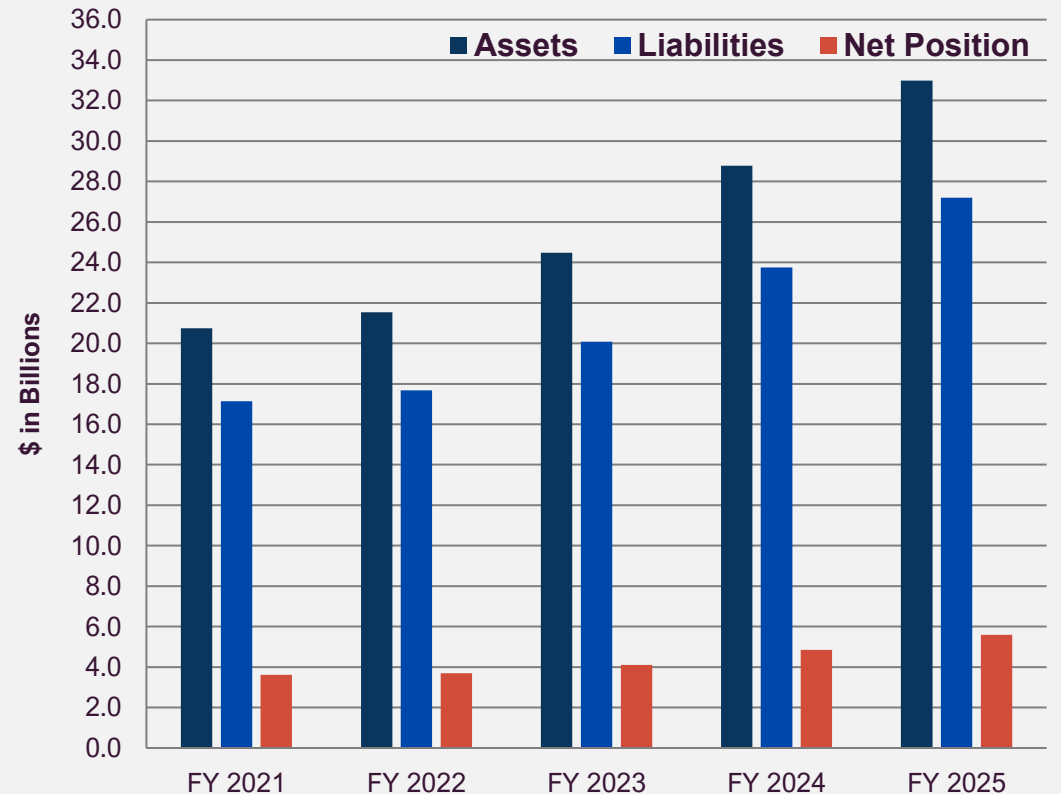


NYCHDC Overview

Overview

- **Public Benefit Corporation** established in 1971 to finance the creation and preservation of affordable multi-family housing in NYC
- Governed by **7-member Board of Directors appointed by Mayor & Governor**
- 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**
- Typical 4% transactions financed with bond-funded senior loans, paired with LIHTC equity, subsidy loans and various tax incentives

Balance Sheet Growth





NYCHDC Parity Bond Programs

Open Resolution

Created in 1993, the Open Resolution is the Corporation's primary financing program for NYC Affordable Housing

- Rated Aa2/AA+ by Moody's/S&P
- \$27.3 billion of bonds issued
- \$12.9 billion of bonds outstanding
- \$17.3 billion of assets; 1.26x asset-to-liability ratio
- Median project occupancy of 98%; there have been no material monetary defaults on any Mortgage Loans

Impact Resolution

Created in 2020 to finance mortgage loans for the long-term preservation of New York City Housing Authority ("NYCHA") developments

- Rated Aa2 by Moody's
- In support of the "Permanent Affordability Commitment Together" ("PACT Program") to convert 62,000 NYCHA public housing units to Section 8 by 2028
- \$2.2 billion of bonds issued; all loans enhanced by HDC/GSE RS Program





NYCHDC Recycled Bond Program

- **Implementation**
 - \$6B+ in recycled bonds issued since 2008, including \$1.4B+ from NYSHFA prepayments
 - ~\$500mm provided to NYSHFA to support their recycling needs from 2012 - 2016
- **Application**
 - **Preserve Volume Cap**
 - Recycled “tail” used to cover amounts exceeding the bond threshold required to unlock LIHTC
 - “Sub-50” structure for mix-income projects w/ separate condos for LIHTC vs. non-LIHTC units
 - **Loan Securitization** to create lending capacity at TE-equivalent funding costs
 - **Preservation Tools**, including RAD conversions for NYCHA public housing w/ blended recycled and taxable financing
 - **Workforce Housing**
- **Pipeline Management and Recycling Tracking**



From the 50% Test to 25% Test: Boost in Housing Production

BEFORE: The 50% Test

- At least 50% of aggregate basis (land + building) financed with PABs to qualify for 4% LIHTC
- HFAs allocated PAB volume cap beyond supportable debt to satisfy the 50% bond test
 - Roughly only 15%-35% of aggregate basis can be supported by debt, pending project cost and income mix
- Rising costs and increasing demand for affordable housing exhausted state bond cap, constraining housing production

AFTER: The 25% Test

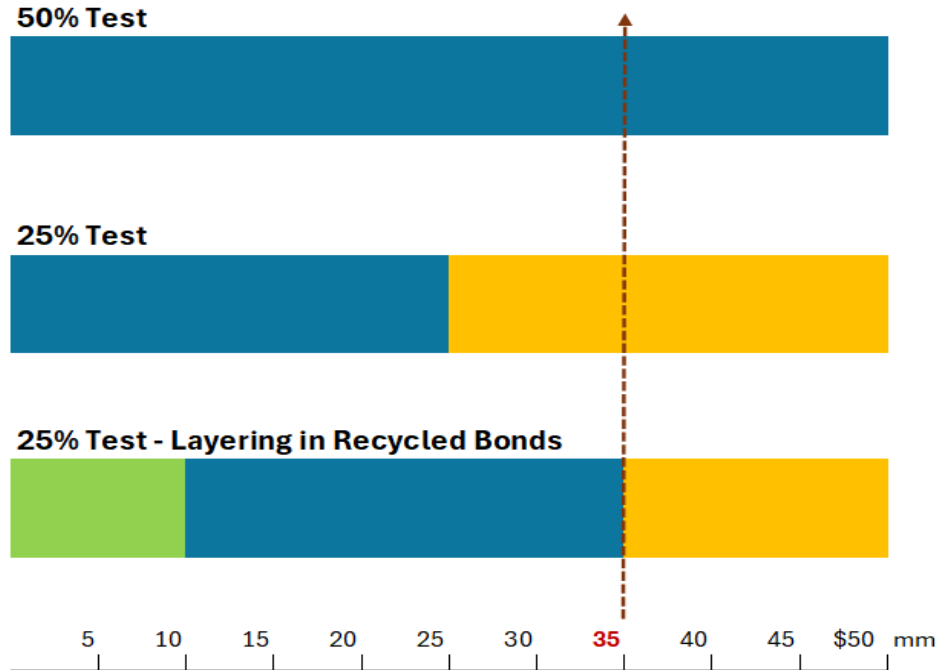
- One Big Beautiful Bill Act (OBBBA) lowered the 50% bond financing threshold to 25%
- At least 25% of aggregate basis (land + building) financed with PABs to qualify for 4% LIHTC
- At least 5% of aggregate basis financed with PAB bonds issued after 12/31/2025
- Apply to properties placed in service after 12/31/2025

Challenge:

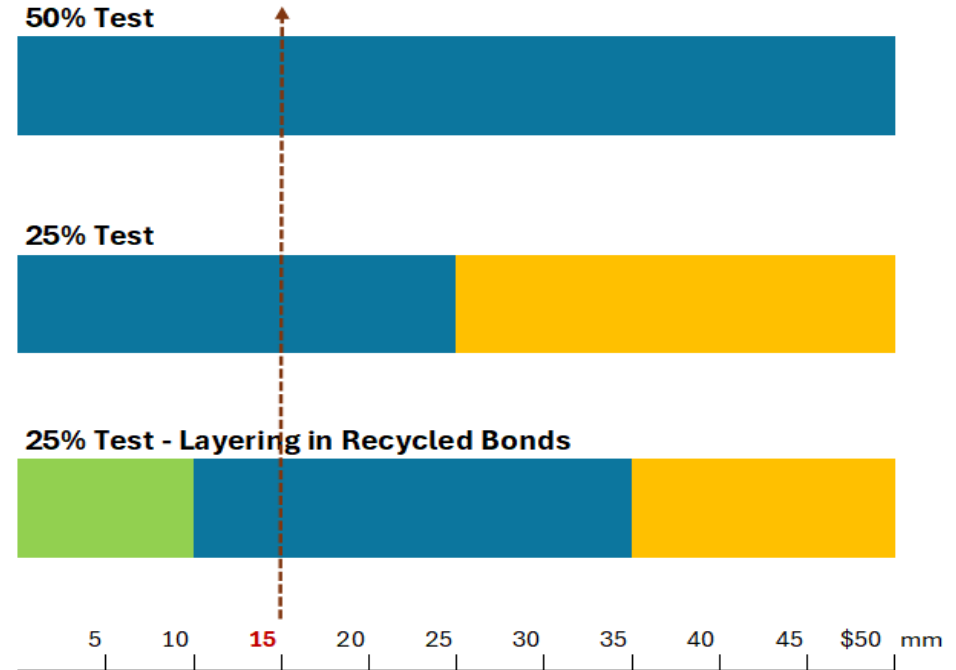
- **Funding Gap** – 25% Test significantly reduces the amount of PAB financing in project capital stacks, creating potential gaps that previously would have been filled with tax-exempt bond proceeds.
- **LIHTC Pricing** – The change may also affect 4% LIHTC pricing.

From the 50% Test to 25% Test: Structural Impact

Hypothetical \$100mm Project w/
\$35mm Supportable Debt (Theoretical)



Hypothetical \$100mm Project w/
\$15mm Supportable Debt (High-Cost City like NYC)



TE Bonds

Gap Financing: TX Bonds or other funding source

Recycled Bonds



Gap Financing Strategy

Illustrative Funding Strategy Comparison

25% Test vs. 50% Test

300-Unit Project; \$200M Project Cost

Funding Scenarios		Total Project Cost	Total VC Bond		LT Funding Sources			Total ST	ST Funding Sources		Future Recycling Capacity*
			to Unlock LIHTC	Total LT	TE Bonds (New VC)	Recycled Bonds	FHLB Index Bonds		TE Bonds (New VC)	ST TX Bonds	
Scenario 1	50% Test	200,000,000	100,000,000	33,000,000	33,000,000	-	-	67,000,000	67,000,000	-	67%
Scenario 2-1	25% Test - Baseline Funding Strategy	200,000,000	50,000,000	33,000,000	33,000,000	-	-	67,000,000	17,000,000	50,000,000	34%
Scenario 2-2	25% Test - HDC Funding Strategy	200,000,000	50,000,000	33,000,000	8,000,000	15,000,000	10,000,000	67,000,000	42,000,000	25,000,000	84%

*Future Recycling Capacity = Short-Term Volume Cap Tax-Exempt Bonds / Total Volume Cap Tax-Exempt Bonds

VC = Volume Cap

TE = Tax-Exempt

TX = Taxable

ST = Short-Term

LT = Long-Term



NYCHDC's Gap Financing Strategy under the 25% Test

The Gap: 25% Test reduces PAB/TE bonds per project — capital stack gaps previously filled by TE bond proceeds must be addressed with alternative financing tools.

Recycled Bond Program

Long-Term TE

- Previously issued Tax Credit Bonds recycled & re-deployed as long-term gap financing (fixed Rate Serial & Term)
- Provides low-cost permanent debt without consuming new PAB volume cap

FHLB-NY Taxable Bonds

Long-Term TE

- Long-term SOFR-index program w/ FHLB-NY to provide cost-effective long-term financing
- Pricing akin to 5-6 year index floater given the put feature; no liquidity

Taxable ST Bridge Bonds

Short-Term TE

- Short-term fixed-rate taxable bonds bridge construction to LIHTC equity
- 4yr bullet

Bond Market Implication:

Reduced TE bond issuance per project → shift toward more taxable & recycled bonds → new issuance mix for investors

HDC's December 2025 Open Resolution bond sale

HDC December 2025 Open Resolution Bond Sale

Proj	Total Units Qualified Basis		Total Bonds / Loans	Total New VC	New VC % of Basis	Total LT	LT Funding Sources			Total ST	ST Funding Sources	
							2026 A-1		2025 H-1		2026 A-2	2025 H-2
							TE Bonds (New VC)	Recycled Bonds	FHLB Index Bonds		TE Bonds (New VC)	STTX Bonds
1	265	191,253,169	113,770,000	51,640,000	27.0%	32,490,000	6,320,000	12,640,000	13,530,000	81,280,000	45,320,000	35,960,000
2	266	168,870,646	78,935,000	45,600,000	27.0%	30,895,000	6,010,000	12,020,000	12,865,000	48,040,000	39,590,000	8,450,000
3	213	140,735,969	60,035,000	38,000,000	27.0%	20,695,000	4,025,000	8,050,000	8,620,000	39,340,000	33,975,000	5,365,000
4	400	212,419,384	137,805,000	57,355,000	27.0%	44,745,000	8,705,000	17,405,000	18,635,000	93,060,000	48,650,000	44,410,000
5	230	120,698,979	71,905,000	32,590,000	27.0%	25,790,000	5,015,000	10,030,000	10,745,000	46,115,000	27,575,000	18,540,000
6	327	201,296,296	103,755,000	54,350,000	27.0%	26,935,000	5,240,000	10,475,000	11,220,000	76,820,000	49,110,000	27,710,000
7	328	201,146,764	91,375,000	54,305,000	27.0%	25,720,000	5,000,000	10,005,000	10,715,000	65,655,000	49,305,000	16,350,000
8	341	210,538,715	97,680,000	56,850,000	27.0%	29,835,000	5,805,000	11,605,000	12,425,000	67,845,000	51,045,000	16,800,000
9	251	170,035,334	89,020,000	45,910,000	27.0%	19,970,000	3,880,000	7,770,000	8,320,000	69,050,000	42,030,000	27,020,000
Total	2,621	1,616,995,257	844,280,000	436,600,000	27.0%	257,075,000	50,000,000	100,000,000	107,075,000	587,205,000	386,600,000	200,605,000

VC = Volume Cap
ST = Short-Term

TE = Tax-Exempt
LT = Long-Term

TX = Taxable



NYCHDC's Early Implementation of 25% Test

Bond Sale Example : Open Resolution December 2025

	50% Test (Hypothetical)	25% Test (Actual)	Scaling Impact
Bond Cap Used Projects / Units	\$437mm 5 projects / ~1,300 units	\$437mm 9 projects / 2,621 units	Same bond cap 2x production
Tax Credit Bonds (4yr Put)	\$295mm	\$387mm	+\$92mm Tax Credit Bonds
LT Tax-Exempt Bonds (Serial/Term)	\$142mm	\$150mm	+8mm LT Tax-Exempt Bonds
<i>New VC Bonds</i>	\$142mm	\$50mm	<i>-\$92mm LT New VC Bonds</i>
<i>Recycled Bonds</i>	-	\$100mm	<i>+\$100mm Recycled Bonds</i>
Total Tax-Exempt Bonds	\$437mm	\$536mm	+100mm TE Bonds (via Recycled Bonds)
TX Bonds (L/T FHLB Bonds)*	--	\$107mm	+\$107mm FHLB TX Bonds
TX Bonds (ST Bridging)	--	\$200mm	+\$200mm Taxable Bridging
Total Gap Financing	--	\$307mm	+\$307mm Gap Financing
Grand-Total Bonds Issued	\$437mm	\$844mm	+\$416mm total bond volume
Future Recycling Capacity % of Total Bond Cap	\$295mm 68%	\$387mm 89%	+92mm increase in recycling capacity ~30% increase in recycling capacity

* Taxable SOFR-Indexed Long-Term Bonds sold to FHLB-NY

“25% Test Multiplier” – Same Bond Cap, nearly double the homes and bond issuance volume!





Thank you for attending this session



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