Affordable Housing and the Coming Election: What’s Next?

David Gasson from Boston Capital and Mike Novogradac from Novogradac & Company will provide up-to-date news and analysis that could impact multifamily development.
Your Webinar Host

Mark Dean
Citi Community Capital, National Production Manager

Mr. Dean has over 27 years of experience providing investment banking and mortgage banking services to real estate developers and corporate sponsors. He specializes in financing multifamily housing using Private Activity Bonds, both enhanced and unenhanced, for public housing authorities, affordable housing developers, and senior housing providers. Mr. Dean works with both for-profit and not-for-profit organizations to finance projects such as affordable housing developments, senior living facilities, and market rate housing.

Mr. Dean has provided acquisition, construction and permanent financing for a wide variety of multifamily housing, senior housing, not-for-profit facilities. In addition to these types of financing Mr. Dean has executed current, advance and taxable refundings of existing bond and real estate debt. His experience includes both public offerings and private placements. His broad range of experience with loan products and debt credit enhancements includes conventional financing vehicles as well as bond insurance, contingent loan agreements, FHA mortgage insurance programs, GNMA MBS, Fannie Mae MBS, letters of credit, and collateral pledges. In addition, Mr. Dean is an expert on the use of low-income housing tax credits to finance multifamily apartments.
Michael Novogradac is the managing partner in the San Francisco office of Novogradac & Company LLP. He has more than 25 years of experience specializing in affordable housing, community development 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 New Markets Tax Credit Handbook and the Low-Income Housing Tax Credit Handbook. A frequent speaker at tax credit conferences and forums throughout the country, Mr. Novogradac is very active in advocating for the inclusion of affordable housing, historic, new markets and renewable energy tax credits in federal and state policy and broadcasts a weekly podcast that focuses on tax credit issues. In addition, he serves as advisor on industry and governmental affairs for the NMTC Working Group and the LIHTC Working Group. Mr. Novogradac also serves on the executive committee of the Housing Advisory Group and the boards of directors of the Affordable Housing Tax Credit Coalition, the National Housing Conference, the NMTC Coalition and Historic Tax Credit Coalition, as well as being an original member of the National Multifamily Housing Council’s Affordable Housing Committee. He previously served on the boards of directors of A Hand Up and the Berkeley Chess School, the board of governors of the California Housing Consortium, as an advisory board member of the National Leased Housing Association, the Federal Housing Policy Council and Housing and Development Reporter. He was also a member of the National Housing & Rehabilitation Association NMTC Steering Committee, the National Trust for Historic Preservation Tax Policy Council and the California State Treasurer’s Housing Finance Advisory Board, as well as a board member and chief financial officer of the Housing Industry Foundation. Mr. Novogradac graduated from the University of California, Los Angeles, with a bachelor’s degree in economics. He received an MBA from the University of California, Berkeley. He is licensed in California, Oregon, Maryland and Texas as a certified public accountant.
Your Webinar Speakers
Citi Community Capital

Your Panelists

David S. Gasson
Boston Capital, Vice President and Director of Corporate Communications

David S. Gasson is Vice President and Director of Corporate Communications at Boston Capital Corporation, joining the firm in 1995. He is responsible for all external communications for Boston Capital including community affairs, state and federal legislative issues, housing policy and public relations. He also directs Boston Capital’s philanthropic outreach through the Boston Capital Foundation.

Mr. Gasson has been working in the affordable housing policy arena for over 20 years. He is a frequent speaker at housing forums around the country on state and federal policy issues. He is frequently quoted in trade and national publications and has contributed editorial on federal housing policy to a number of publications. He is Executive Director of the Housing Advisory Group, an organization comprised of industry professionals from around the country founded to advocate on behalf housing issues. He regularly meets with Administration officials, Members of Congress and congressional staff to advise on and seek support for the industry’s housing agenda.

Mr. Gasson is on the Steering Committee of the Affordable Rental Housing ACTION Campaign and advises a number of national and state housing associations. He has been instrumental in drafting legislative responses to tax reform and housing proposals as well as formulating the ACTION Campaigns advocacy and grassroots outreach efforts. Before joining Boston Capital, Mr. Gasson served on the staffs of Congressman Richard Gephardt of Missouri and Senate Majority Leader George Mitchell of Maine.

He is a graduate of the University of Florida and a member of the #Housing Party. He may be followed @dsgasson, @HousingAdvGroup and @BostonCapital.
To ask a question

- email AskCitiCommunityCapital@citi.com

- Follow instructions from the Operator - Press *1 for the operator to open your line. This will enter you into the queue to ask a question
Washington Update
CCC Webinar Series

MODERATOR
Mark Dean
Citi Community Capital

PANELISTS
Michael J. Novogradac
Novogradac & Company LLP
@novogradac

David Gasson
Boston Capital
@dsgasson

July 19, 2016
www.novoco.com
What should we expect in 2016?
What should we expect in 2016?
What should we expect in 2016?
July 19, 2016
Today, Washington Update Webinar

July 18-21
Repub. Nat’l Convention
Cleveland, OH

July 25-28
Dem. Nat’l Convention
Philadelphia, PA

Sep. 26
Presidential debate,
Dayton, OH

Sep. 30
Fiscal year end

Oct. 4
Vice Presidential debate,
Farmville, VA

Oct. 9
Presidential debate,
St. Louis

Oct. 19
Presidential debate,
Las Vegas

Nov. 8
Presidential election

Jan. 20
Presidential inauguration

President-elect transition period

33 days left in session for 2016

43 days left in session for 2016

House in Session

Senate in Session

2016 2017
Ok, I see nothing much will be done unless it has to be done. What has to be done?
Absolute To-Do List

☐ Appropriations
  • Continuing resolution into lame duck or past inauguration
  • Or Omnibus/Cromnibus?
<table>
<thead>
<tr>
<th>HUD Budget</th>
<th>FY 2015 Enacted</th>
<th>FY 2016 Enacted</th>
<th>President’s FY 2017 Proposed</th>
<th>Senate FY 2017 THUD Bill</th>
<th>House FY 2017 THUD Bill</th>
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<td>$10,620</td>
<td>$10,816</td>
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<td>$4,569</td>
<td>$4,675</td>
<td>$4,500</td>
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<td>Public Housing Capital Fund</td>
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<td>$1,865</td>
<td>$1,925</td>
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<td>Section 202</td>
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<td>Section 811</td>
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<td>HOME</td>
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<td>Homeless Assistance</td>
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<td>$2,330</td>
<td>$2,487</td>
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<td>Choice Neighborhood Initiative</td>
<td>$80</td>
<td>$125</td>
<td>$200</td>
<td>$80</td>
<td>$100</td>
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<td>Overall</td>
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<td>$46,978</td>
<td>$48,911</td>
<td>$48,434</td>
<td>$47,955</td>
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</tbody>
</table>

Note: amounts in Millions

July 19, 2016
Housing Trust Fund

- In calendar year 2015, contributions were set aside by Fannie Mae & Freddie Mac
  - Watt December 11, 2014 letters to Fannie Mae, Freddie Mac
- Grants for affordable rental housing that targets extremely low-income individuals and households
- HUD released interim rule on January 30, 2015
- HUD announced HTF state allocations on May 5
- Once state HTF allocation plans are approved, states can award HTF grants to developments
Housing Trust Fund

2016 State Housing Trust Fund Allocations

<table>
<thead>
<tr>
<th>State</th>
<th>HUD/Treasury Reported Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>$10,128,143</td>
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<tr>
<td>New York</td>
<td>$7,013,963</td>
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<tr>
<td>Texas</td>
<td>$4,778,364</td>
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<td>Florida</td>
<td>$4,598,821</td>
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<tr>
<td>Illinois</td>
<td>$4,302,012</td>
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<tr>
<td>Pennsylvania</td>
<td>$3,862,285</td>
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<td>Ohio</td>
<td>$3,740,578</td>
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<td>New Jersey</td>
<td>$3,733,566</td>
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<td>Michigan</td>
<td>$3,522,622</td>
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<tr>
<td>Massachusetts</td>
<td>$3,419,569</td>
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</tbody>
</table>

Top 10 State HTF Allocations

2016
Housing Trust Fund

Preliminary 2017 estimate using 1st quarter of 2016 10-Q filings from Fannie/Freddie

Top 10 State HTF Allocation Estimates

<table>
<thead>
<tr>
<th>State</th>
<th>Allocation Estimate</th>
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<tbody>
<tr>
<td>California</td>
<td>$24,137,288</td>
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<td>New York</td>
<td>$15,784,295</td>
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<td>Texas</td>
<td>$8,860,261</td>
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<td>Florida</td>
<td>$8,333,433</td>
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<td>Illinois</td>
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<td>Pennsylvania</td>
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<td>Ohio</td>
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<td>New Jersey</td>
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<td>Michigan</td>
<td>$5,270,387</td>
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<tr>
<td>Massachusetts</td>
<td>$5,042,721</td>
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</table>
RAD Update

Public housing unit conversion cap – 185,000 units
Waitlist as of 5/17/2016: 10,834 units

Incremental funding request
Requested $50 million for financial feasibility including Section 202; $4 million in Senate HUD spending bill, nothing in House bill
So, given only what needs to be done is getting done this year, what does the landscape look like in 2017?
November 2016

Republican

Democrat

Democrat

[Seal of the President of the United States]

[Hillary Clinton]

[Seal of the United States Senate]
November 2016

Republican

Republican

Republican
November 2016

The “Defensive” Path

PROTECTING OURSELVES

The “Offensive” Path

SEEKING RESOURCES
Low-Income Housing Tax Credits

The "Defensive" Path

Ensuring LIHTC is retained in all future tax reform bills

The "Offensive" Path

Pushing for a 50 percent increase and Cantwell-Hatch improvements
The “Defensive” Path

Minimizing cuts

The “Offensive” Path

Trying to restore more HUD funding and eliminating RAD unit cap
GSEs

Retaining some form of government involvement in mortgage finance

The “Defensive” Path

Increasing GSE multifamily activity

The “Offensive” Path
Ensuring the NMTC is not repealed before 2019 and at least gets extended beyond that

The “Defensive” Path

Permanence with an inflation adjustment

The “Offensive” Path
What the Presidential Candidates Said on Housing

Posted on October 22, 2015 by Peter Lawrence

Housing isn’t getting much attention in the 2016 presidential campaign. The issue wasn’t brought up in first two Republican debates in Cleveland and Simi Valley, Calif., nor in the first Democratic debate in Las Vegas.

Presidential Candidates and Affordable Housing

SECRETARY HILLARY CLINTON

• Includes housing as part of her policy platform
• Calls to increase supply of affordable rental homes by expanding annual LIHTC allocations for areas most in need
• Plans to create incentives at state and local level to enact effective land use rules and other regulations to promote development of new rental housing

DONALD TRUMP
Presidential Candidates and Affordable Housing

SECRETARY HILLARY CLINTON

\textbf{Donald Trump}

- Includes housing as part of her policy platform
- Calls to increase supply of affordable rental homes by expanding annual LIHTC allocations for areas most in need
- Plans to create incentives at state and local level to enact effective land use rules and other regulations to promote development of new rental housing

\begin{itemize}
  \item \textbf{Build more affordable rental housing near good jobs and good schools.} Clinton will increase support for affordable rental housing in the areas that need it most and encourage communities to implement land use strategies that make it easier to build affordable rental housing near good jobs.
  \item \textbf{Reducing the cost.} Clinton will defend the current supply of Low Income Housing Tax Credits and provide additional credits in communities where the demand for these credits far exceeds the supply. The additional credits will be allocated through a competitive process to those cities and states that are in the best position to use them effectively.
\end{itemize}

Behind

Hillary Clinton believes we need to break down all the barriers that hold Americans back and build ladders of opportunity for all our people. She and Senator Sanders agree that we have to get unaccountable money out of politics and stop Wall Street from ever threatening Main Street, but Clinton believes we can’t stop there. We need to focus on removing obstacles that keep wages down and make it harder for people to find good-paying jobs, especially young people. We also have to break down barriers of bigotry like the systemic racism that holds back communities of color. It’s outrageous that the children of majority-black Flint, Michigan, have been drinking and bathing in poisoned water for almost two years because their governor wanted to save money. It’s outrageous that so many African American families live in pockets of extreme poverty and that so many families of color with good credit can’t get a mortgage. It’s...
Presidential Candidates and Affordable Housing

SECRETARY HILLARY CLINTON

- Includes housing as part of her policy platform
- Calls to increase supply of affordable rental homes by expanding annual LIHTC allocations
- Plans to create incentives at state and local level to enact effective land use rules and other regulations to promote development of new rental housing

The Briefing

- Expand and make permanent the New Markets Tax Credit. The New Markets Tax Credit (NMTC) has helped to attract more than $60 billion in private investment in communities with high rates of poverty and unemployment since it was implemented during the Clinton Administration. In Sumter, South Carolina, for example, the NMTC is supporting a new manufacturing plant that will bring 1,600 new jobs. Clinton is committed to making the NMTC permanent, doubling the amount of credits available to low-income communities, and adding new credits for communities hardest hit by decline. These enhancements to the NMTC will encourage greater investment into communities that need it most.
President and Affordable Housing

SECRETARY HILLARY CLINTON DONALD TRUMP

• Includes housing as part of her policy platform
• Calls to increase supply of affordable rental homes by expanding LIHTC allocations
• Plans to create incentives at state and local levels to enact effective land use rules and regulations

Presidential Candidates

Housing

Where Donald Trump rooted for the housing crisis, Democrats will continue to fight for those families who suffered the loss of their homes. We will help those who are working toward a path of financial stability and will put sustainable home ownership into the reach of more families. Democrats will also combat the affordable housing crisis and skyrocketing rents in many parts of the country that are leading too many families and workers to be pushed out of communities where they work.
We will increase the supply of affordable rental housing by expanding incentives and easing local barriers to building new affordable rental housing developments in areas of economic opportunity. We will substantially increase funding for the National Housing Trust Fund to construct, preserve, and rehabilitate millions of affordable housing rental units. Not only will this help address the affordable housing crisis, it will also create millions of good-paying jobs in the process. Democrats also believe that we should provide more federal resources to the people struggling most with unaffordable housing: low-income families, people with disabilities, veterans, and the elderly.

We will reinvigorate federal housing production programs, increase resources to repair public housing, and increase funding for the housing choice voucher program. And we will fight for sufficient funding to end chronic homelessness.

We must make sure that everyone has a fair shot at homeownership. We will lift up more families and keep the housing market robust and inclusive by defending and strengthening the Fair Housing Act. We will also support first time homebuyers, implement credit score reform to make the credit industry work for borrowers and not just lenders, and prevent predatory lending by defending the Consumer Financial Protection Bureau (CFPB). And we will help underwater homeowners by expanding foreclosure mitigation counseling.
Presidential Candidates and Affordable Housing

SECRETARY HILLARY CLINTON

DONALD TRUMP

- Has not stated a position
- However, his father developed a substantial amount of unsubsidized affordable rental housing in NYC
Given these two divergent paths, what is being done now to prepare for the two paths?
Recent Presidents Who Had Major Tax Bills the Year of their Inauguration

OBAMA  BUSH  CLINTON  BUSH  REAGAN  CARTER
House GOP Tax Reform Task Force

- Calls for top 20% corporate tax rate
- No mention of LIHTC, NMTC, HTC, tax-exempt private activity bonds or renewable energy tax credits (ITC/PTC)
- Document does say that tax reform as proposed “generally will eliminate special-interest deductions and credits in favor of providing lower tax rates.”
- Tax Reform Task Force describes the blueprint as “the beginning of our conversation about how to fix our broken tax code.”
- Legislative language before Jan. 20, 2017
Senate Corporate Integration Proposal

- Expected to be released the week of July 11th (last week)
- Will likely provide corporations with a deduction against their 35% rate for dividends paid to shareholders
- Also would propose a nonrefundable 35% withholding tax on the dividend
S. 2962 Affordable Housing Credit Improvement Act of 2016

Announced May 19, 2016

Sen. Cantwell  D-Washington
Sen. Hatch  R-Utah
Sen. Wyden  D-Ore.
Sen. Schumer  D-N.Y.
Projected Increase in Affordable Rental Homes Due To 50% LIHTC Allocation Increase

If LIHTC allocation per unit is roughly $15,300, Sen. Cantwell’s 50 percent increase will fund approximately 200,000 additional affordable rental homes.

If LIHTC allocation per unit is roughly $13,200, Sen. Cantwell’s 50 percent increase will fund approximately 225,000 additional affordable rental homes.

Source: Novogradac & Company LLP
Affordable Housing Credit Improvement Act of 2016, part 2

S. 3237

Additional Resources

- Give states discretion to provide 30% basis boost for bond-financed projects
- Repeal QCT population cap
- Relocation costs included in eligible basis
- No basis reduction for certain energy tax credits
- Indian areas generally treated as DDAs
Affordable Housing Credit Improvement Act of 2016, part 2

Financial Feasibility

- 50% basis boost for ELI units
- Modify student occupancy rules
- Codify increased tenant income guidance
- Modify 10-year rule
  - Limits apply to acquisition basis
- Adopt uniform income eligibility for rural projects

Sen. Maria Cantwell
D-Washington

July 19, 2016
Affordable Housing Credit Improvement Act of 2016, part 2

S. 3237

Other

- Add Native American projects as QAP selection criterion
- Convert ROFR to purchase option
- Conform casualty loss rules
- Tenant voucher payments taken into account as rent for certain purposes
- Determination of community revitalization plan to be made by state housing credit agency
Affordable Housing Credit Improvement Act of 2016, part 2

S. 3237

• Also includes:
  – Income averaging
  – 50% increase
  – Minimum 4 percent
**H.R. 3700**

**Housing Opportunities Through Modernization Act of 2016**

- On July 14, Congress unanimously approved H.R. 3700
  - Senate companion bill, S. 3083, introduced by Sens. Menendez, D-NJ; Scott, R-SC; Blunt, R-MO, and Coons, D-DE on June 22
- Legislation requires HUD to alter calculation of incomes and rents for vouchers, project-based rental assistance and public housing
  - More units in developments in low-poverty areas may be project-based vouchers
  - Longer project-based contracts
  - Administrators may convert more of their authorized vouchers
LIHTC Mapping Tool

Disclaimer: The data presented below are provided as a reference and the validity of the data cannot be guaranteed. All data should be verified with the applicable state and federal agencies before using it in the decision making process.

Featuring 114th Congressional Districts

This tool and the data in the searchable map below reflects the current congressional district boundaries as determined by the 2010 census. Archived files using the 112th congressional district boundaries can be found in the LIHTC Mapping Tool Archive.

- Fair Market Rents
- Income Limits
- Rent & Income Limit Calculator
- LIHTC Mapping Tool
- Archived 113th District Data
- Archived 112th District Data
- QCTs and CDDAs
- LIHTC Pricing Trends
- Applicable Federal Rates
- Tax Credit Percentages
- Monthly Bond Factor Amounts
- Utility Allowances
- Interest Rates for Tax Credit Recapture
- Annual LIHTC Utilization Charts
www.taxcredithousing.com
State And District Fact Sheets

The ACTION state and district fact sheets show the impact of the Housing Credit in every congressional district, including the number of affordable apartments created or preserved, the jobs that Housing Credit development supports and other benefits to local economies. For the first time, the fact sheets also provide information on the affordable housing crisis in each state, underscoring the vast need for the Housing Credit. See our National Fact Sheet showing the impact of the Housing Credit throughout the U.S.

LOW-INCOME HOUSING TAX CREDIT IMPACT IN CALIFORNIA

- 311,351 homes developed or preserved
- 723,415 low-income households provided affordable homes
- 351,827 jobs supported for one year
- $33.53 billion local income generated
- $13.20 billion tax revenue generated

THE MOST SUCCESSFUL AFFORDABLE HOUSING PRODUCTION TOOL

The Housing Credit has financed nearly 2.5 million affordable apartments in the U.S. since 1981, providing homes to roughly 0.5 million low-income households. Tax-exempt Multifamily Housing Bonds (Housing Bonds) have been used in more than 42 percent of these homes, and are vital to the Housing Credit’s success. Through public-private partnerships, these bonds have leveraged over $100 billion in private equity capital. But without them, it would be unfeasible for the private sector to build affordable homes for the families that need them most.

THE AFFORDABLE RENTAL HOUSING CRISIS

Roughly 11 million households across the U.S. – over 1 in 4 renter households – spend over half of their monthly income on rent. This leaves too little for other necessary expenses like health care, transportation and nutritious food.

UNIQUELY ACCOUNTABLE

The Housing Credit is “pay-as-you-go” – credits can be claimed only after properties are successfully completed, and can be recaptured for non-compliance. Private sector investors – not taxpayers – bear the financial risk.

The ACTION Campaign calls on Congress to protect, strengthen and expand the Housing Credit and preserve Housing Bonds.
www.novoco.com/products
The Economic Impact of the New Markets Tax Credit

California 2003-2012

Investment

$2.8 billion in NMTC investments leveraged an additional $2.3 billion from other sources for a total of $5.1 billion in total project investments.

A total of 412 businesses in California have received NMTC financing.

Job Creation

44,447 construction jobs

24,732 full-time jobs

www.nmtccoalition.org
New Markets Tax Credit Resource Center

NMTC Mapping Tool

2006-2010 ACS Data
NMTC Mapping Tool - 2000 Census Data
NMTC Census Data Transition FAQs
NMTC 2006-2010 American Community Survey Eligibility Data
List of Qualifying NMTC Census Tracts Within High Migration Rural Counties
NMTC Mapping Tool Error Form

Email Novogradac & Company with Questions about the Mapping Tool

Select the 'NMTC Coalition At Work Projects' option in the menu at the left of the Novogradac NMTC Mapping Tool to display the 92 projects highlighted by the NMTC Coalition's 2012 report, 'At Work in Communities Across America.' Clicking on a project will provide a link to the coalition's report. The New Markets Tax Credit Coalition issues reports periodically highlighting businesses, projects, and communities that have received assistance through the New Markets Tax Credit. These businesses and projects are located in some of the nation's most economically distressed urban neighborhoods and rural communities.

Disclaimer: The data presented below are provided as a reference and the validity of the data cannot be guaranteed. All data should be verified with the CDFI Fund web site before using it in the decision-making process.

Legend

Qualified NMTC Program Eligible and Severely Distressed Status, for CY 2015.

July 19, 2016
New Markets Tax Credit (NMTC) Program Eligibility and Severely Distressed Status, for CY 2015.

Year of Allocation: 2006
Original Loan/Investment Amount: $800,000
Transaction Type: TERM
Total Project Cost: $1,402,032
Questions?
Washington Update
CCC Webinar Series

MODERATOR

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Citi Community Capital

PANELISTS

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July 19, 2016
www.novoco.com
Thank you for your participation

- To ask a question
  - email AskCitiCommunityCapital@citi.com
  - Follow instructions from the Operator - Press *1 for the operator to open your line. This will enter you into the queue to ask a question

- The recording will available within the next 24 hours at http://www.citibank.com/icg/sa/citicommunitycapital/resource_center.jsp

- Resources
  - Novogradac – www.novoco.com
  - Citi Community Capital – www.citicommunitycapital.com
  - Housing Advisory Group – www.housingadvisorygroup.org

- Follow Michael and David on Twitter
  - @novogradac
  - @dsgasson
Citi believes that sustainability is good business practice. We work closely with our clients, peer financial institutions, NGOs and other partners to finance solutions to climate change, develop industry standards, reduce our own environmental footprint, and engage with stakeholders to advance shared learning and solutions. Highlights of Citi’s unique role in promoting sustainability include: (a) releasing in 2007 a Climate Change Position Statement, the first US financial institution to do so; (b) targeting $50 billion over 10 years to address global climate change: includes significant increases in investment and financing of renewable energy, clean technology, and other carbon-emission reduction activities; (c) committing to an absolute reduction in GHG emissions of all Citi owned and leased properties around the world by 10% by 2011; (d) purchasing more than 234,000 MWh of carbon neutral power for our operations over the last three years; (e) establishing in 2008 the Carbon Principles; a framework for banks and their U.S. power clients to evaluate and address carbon risks in the financing of electric power projects; (f) producing equity research related to climate issues that helps to inform investors on risks and opportunities associated with the issue; and (g) engaging with a broad range of stakeholders on the issue of climate change to help advance understanding and solutions.

Citi works with its clients in greenhouse gas intensive industries to evaluate emerging risks from climate change and, where appropriate, to mitigate those risks.

efficiency, renewable energy and mitigation