

National | Multifamily

Affordable Housing: 'Not Nearly Enough'

CLEVELAND—National Manager of KeyBank's Community Development Lending & Investment platform, Rob Likes tells GlobeSt.com that every affordable housing property is "a little bit different, depending on where it's located and the needs of the community."

By Paul Bubny

CLEVELAND—Last month, Sens. **Orrin Hatch** (R-UT) and **Maria Cantwell** (D-WA), along with co-sponsor **Ron Wyden** (D-OR) introduced a more comprehensive version of legislation Hatch and Cantwell had introduced in May to expand the **Low Income Housing Tax Credit** program. If the legislation passes, it would greatly increase the production of affordable housing through preservation and development, says **Rob Likes**, National Manager of **KeyBank's** Community Development Lending & Investing platform.

Even with the expansion of the LIHTC program that the Affordable Housing Credit Improvement Act of 2016 would entail, though, Likes says demand will continue outpacing supply. He tells GlobeSt.com that affordable housing transactions involve multiple elements and multiple stakeholders—all to the good, then, that he expects more private sector participation in the sector.

GlobeSt.com: *Sens. Hatch and Cantwell have introduced legislation to help incentivize the development of affordable housing, expanding the Low Income Housing Tax Credit program by 50%. Does this represent the tail wagging the dog in terms of getting more private sector involvement with affordable housing?*

Rob Likes: Yes, because the LIHTC program has been the most successful affordable-rental program in history. Increasing the amount of LIHTC that is available for the private sector to invest in certainly will help generate and preserve more affordable housing. There's significant demand for the tax credits, and the more tax credits, the better.



Likes: "We expect the demand for affordable housing to grow substantially."

GlobeSt.com: *Aside from expanding the availability of the tax credits, what are some other provisions of the legislation?*

Likes: The plan is to begin phasing in the expanded tax credits over five years beginning in 2017. It's calculated that this will mean a net incremental increase of about 400,000 units over 10 years. There are other points in the legislation that are important; one compelling point is fixing the 4% rate so that it's no longer an adjustable rate, which takes a lot of the guesswork out of it.

GlobeSt.com: *The existence of the LIHTC program speaks to a responsibility on the part of the federal government to help grow the supply of affordable housing. How do the public and private sectors share responsibility?*

Likes: It really takes the public-private partnership to make it work. The LIHTC program is essentially an allocation of tax credits to the states based on population; the state agencies can then allocate to the private sector developers and acquirers of affordable housing, who then are allocated those tax credits to sell them to the private sector. So the private sector invests their money.

At KeyBank alone, we have a tax-credit portfolio of well over \$1 billion, and we provide several hundred million a year of our funds to invest in by purchasing those tax credits, which provide the equity necessary to build and preserve affordable housing. Without the private sector's involvement, that wouldn't happen. You need the private sector's involvement through purchasing the tax credits to drive down the overall cost of the housing.

GlobeSt.com: *Tell us about some of the state and municipal programs to encourage affordable housing, and in particular how organizations like KeyBank work with them.*

Likes: In every affordable housing project, there aren't just two parties; there are multiple parties involved, especially as the cost of construction for all property types has gone up since the downturn. You may see five to 14 different parties involved in an affordable housing project to make it work. We have over 50 experts on the ground, coast to coast, that partner with our client base and also with the state and local agencies to help put together the capital stack. Equity, soft money, grants—you name it. Every property is a little bit different, depending on where it's located and the needs of the community.

GlobeSt.com: *What do you see in the future as far as the rate of development and preservation*

is concerned, and different levels of private sector participation coming into it?

Likes: If the Hatch/Cantwell bill doesn't get passed, there will be essentially the same supply every year, about 100,000 units. The barriers to entry for building new product are quite substantial. Based on the trends, we expect the demand for affordable housing to grow substantially, based on a number of factors including flat incomes and rising rents. Many households in the country are choosing to rent for a variety of reasons, and that's causing a significant increase in demand for rental units. The majority of rental units being built over the past several years have been high end, luxury product, and not nearly enough affordable product. The gap continues to widen, creating a much larger need.

The expansion of the LIHTC program, and the addition of 400,000 units over 10 years, would be great. But we all know that the supply gap of millions and millions of units will probably continue to grow. We recognize this, and so over a year ago we decided to put a much larger emphasis on our affordable housing platform. We've been very successful within our footprint, which is mainly where our branches are located, but over a year ago we saw a growing need. We think it's going to continue for the foreseeable future, so we put a lot more resources into it, with a mission to grow to all 50 states and become a nationally recognized leader in affordable housing.

We've now grown to a national level, with our efforts to try to continue helping our clients and communities thrive. That's where we see it going. The demand will continue to grow and supply will continue to be constrained, but I do see more people wanting to be involved in making a difference.



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