Greystone Housing Impact Investors
Fourth Quarter 2023 Earnings Conference Call
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<u>Presenters</u>
Jesse Coury, Chief Financial Officer
Ken Rogozinski, Chief Executive Officer

<u>Q&A Participants</u>
Stephen Laws - Raymond James
Matthew Erdner - Jones Trading
Chris Muller - JMP Securities

Operator
Greeting, and welcome to Greystone Housing Impact Investors Fourth Quarter Earnings Conference Call.

If anyone should require operator assistance during the conference, please press "*", "0" on your telephone keypad.

I would now like to turn the conference over to your host, Mr. Jesse Coury. Thank you. You may begin.

Jesse Coury
I would like to welcome everyone to the Greystone Housing Impact Investors LP, NYSE ticker symbol GHI, Fourth Quarter of 2023 Earnings Conference Call.

During the presentation, all participants will be in a listen-only mode. After management presents its overview of Q4 2023, you will be invited to participate in a question-and-answer session.

As a reminder, this conference call is being recorded.

During this conference call, comments made regarding GHI which are not historical facts are forward-looking statements and are subject to risks and uncertainties that could cause the actual future events or results to differ, materially, from these statements. Such forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the use of words like may, should, expect, plan, intend, focus and other similar terms. You are cautioned that these forward-looking statements speak only as of today's date.

Changes in economic, business, competitive, regulatory and other factors could cause our actual results to differ, materially, from those expressed or implied by the projections or forward-looking statements made today.

For more detailed information about these factors and other risks that may impact our business, please review the periodic reports and other documents filed from time to time by us with the Securities and Exchange Commission. Internal projections and beliefs upon which we base our expectations may change but if they do, you will not necessarily be informed.

Today's discussion will include non-GAAP measures and will be explained during this call.
We want to make you aware that GHI is operating under the SEC Regulation FD and encourage you to take full advantage of the question-and-answer session.

Thank you for your participation and interest in Greystone Housing Impact Investors LP.
I will now turn the call over to our Chief Executive Officer, Ken Rogozinski.

Ken Rogozinski
Good afternoon, everyone. Welcome to Greystone Housing Impact Investors LP's Fourth Quarter 2023 Investor Call. Thank you for joining.

I will start with an overview of the quarter, the year and our portfolio. Jesse Coury, our Chief Financial Officer, will then present the partnership's financial results. I will wrap up with an overview of the market and our investment pipeline. Following that, we look forward to taking your questions.

For the fourth quarter of 2023, the partnership reported net income of $0.24 per unit and $0.27 of cash available for distribution, or CAD, per unit. For 2023, the partnership reported net income of $2.07 per unit and $1.93 of CAD, per unit.

Our fourth quarter reported net income of $0.24 per unit includes a $10 million noncash loss that reflects the mark-to-market associated with our interest rate swap portfolio for the quarter. That translates to $0.44 per unit in noncash loss, which is not reflected in CAD.

We also recognized in net income for the fourth quarter $10.4 million, or $0.45 per BUC, in gain on sale for the Suites on Paseo multifamily property. However, this gain is not reflected in CAD, as it is due to the recovery of previous depreciation expense.

For 2023, we recognized a noncash mark-to-market loss on our interest rate swap portfolio of approximately $3.2 million, or $0.14 per unit, within net income. That is not reflected in our reported CAD per unit for the year.

We are currently a net receiver on substantially all of our interest rate swaps, as we receive compounded SOFR, which is now 5.33%, and pay a weighted-average fixed rate of 3.13% on our approximately $333 million in swap notional amounts, as of December 31, 2023.

Assuming that the compounded SOFR level stays constant over the next six months, that 220-basis point spread would result in us receiving approximately $3.2 million in cash payments from our swap counterparties, which would not be reflected in our net income but would be reflected as an additional $0.14 per unit in CAD.

We also reported a book value of $15.17 per unit on $1.51 billion of assets and a leverage ratio as defined by the partnership of 72%.

On December 13, we announced a regular quarterly cash distribution of $0.37 per unit and a supplemental distribution of $0.07 per unit in the form of additional units, both of which were paid on January 31, 2024.

In terms of the partnership's investment portfolio, we currently hold $1.27 billion of affordable multifamily investments in the form of mortgage revenue bonds, governmental issuer loans and property loans and $137 million in joint venture equity investments.

As far as the performance of the investment portfolio is concerned, we have had no forbearance requests for multifamily mortgage revenue bonds, and all such borrowers are current on their principal and interest payments.

Physical occupancy on the underlying properties was at 92.2% for the stabilized mortgage revenue bond portfolio, as of December 31, 2023.

Our Vantage joint venture equity investments consist of interest in seven properties: four where construction is complete with the remaining three properties either under construction or in the planning stage. For the four properties where construction is complete, we continue to see good leasing activity. We continue to see no material supply chain or labor disruptions on the Vantage projects under construction.

As we have experienced in the past, the Vantage Group, as the managing member of each project owning entity, will position a property for sale upon stabilization. As previously announced, the Vantage at Tomball property has been listed for sale.

We have four joint venture equity investments with the Freestone Development Group, one for a project in Colorado and three projects in Texas. Site work has commenced on the Colorado project, and construction has commenced on one of the projects in Texas.

Our joint venture equity investment in Valage Senior Living Carson Valley, a 102-bed seniors housing project located in Minden, Nevada, has begun vertical construction.

Our joint venture equity investment in The Jessam at Hays Farm, a new-construction 318-unit market-rate multifamily property located in Huntsville, Alabama, has commenced construction, as well.

As previously announced, in December 2023, we sold our final multifamily property investment, the Suites on Paseo student housing project, for gross proceeds of approximately $40.7 million. The partnership no longer owns any operating real estate property investments. Net proceeds from the sale will be deployed into our core multifamily investment strategies.

With that, I will turn things over to Jesse Coury, our CFO, to discuss the financial data for the fourth quarter of 2023.

Jesse Coury
Thank you, Ken. Earlier today, we reported earnings for our fourth quarter ended December 31. We reported GAAP net income of $6.2 million and $0.24 per unit, basic and diluted, and we reported cash available for distribution, or CAD, of $6.2 million and $0.27 per unit.

As Ken mentioned, our reported fourth quarter GAAP net income includes a $10 million noncash unrealized loss on our interest rate swaps during the quarter. Changes in the fair value of our interest rate swap portfolio will cause variability in our reported net income in periods of interest rate volatility, which we have seen throughout 2023. Such noncash fair value adjustments are excluded in our calculation of CAD.

I would like to note for listeners that starting in the fourth quarter of 2023, we reclassified gains and losses from our derivative instruments to a new line on our income statement, titled "Net Results from Derivative Transactions," as well as providing additional detail on derivative gains and losses in Footnote 18 of our consolidated financial statements.

These items were applied, retroactively, to our 2022 financial statements, as well. We believe these changes will provide useful information for readers regarding the volume and impact such derivatives have on our reported results, particularly on our reported net income.

For 2023, we reported net income of $54 million and $2.07 per unit, basic and diluted, and CAD of $44.1 million and $1.93 per unit. These full year results include 3 JV equity investment sales from Q1 and Q2 of 2023 which, when combined, contributed approximately $0.95 per unit to our full year net income and CAD after related expenses and Tier 2 income allocable to our general partner.

Our book value per unit as of December 31 was, on a diluted basis, $15.17, which is an increase of $2.20 from September 30. The increase is primarily a result of an increase in the fair value of our mortgage revenue bond portfolio during the quarter, due to falling market yields.

As a reminder, we use third-party service providers to estimate the fair value of our mortgage revenue bond investments. The third-party valuation models predominantly use MMD tax-exempt multifamily yield curves to estimate mortgage revenue bond fair values.

Rates declined approximately 109 basis points, on average, across the curve from September 30 to December 31, which resulted in a corresponding increase in the fair value of our mortgage revenue bond portfolio.

I will note that our mortgage revenue bond investments have predominantly fixed interest rates, so the changes in fair value do not directly impact the interest income we receive from our positions. In addition, we are and expect we will continue to be long-term holders of our mortgage revenue bond investments, until redemption or maturity. As such, we expect this change in fair value will have little to no direct impact on our operating cash flows, net income or CAD.

As of market close yesterday, February 21, our closing unit price on the New York Stock Exchange was $16.40, which is an 8% premium over our net book value per unit, as of December 31.

We regularly monitor our liquidity to both take advantage of accretive investment opportunities and to protect against potential debt deleveraging events if there are significant declines in asset values.

As of December 31, we reported unrestricted cash and cash equivalents of $37.9 million, and we also had $55.7 million of availability on our secured lines of credit. At these levels, we believe that we are well positioned to fund our current financing commitments, which I will discuss later.

We regularly monitor our overall exposure to potential increases in interest rates through an interest rate sensitivity analysis, which we report quarterly and is included on Page 74 of our Form 10-K.

The interest rate sensitivity table shows the impact to our net interest income given various scenarios of changes in market interest rates and other various management assumptions. These scenarios assume that there is an immediate rise in interest rates and that we do nothing in response for 12 months.

The analysis, based on those assumptions, shows that an immediate 200-basis point increase in rates as of December 31, that is sustained for a 12-month period, will result in a decrease of approximately $870,000 in our net interest income and CAD, or approximately $0.038 per unit.

Now I'd like to share current information on our debt investments portfolio, consisting of mortgage revenue bonds, governmental issuer loans and property loans. These assets totaled

$1.27 billion, which is up $44 million from September 30. The increase is primarily a result of an increase in fair value of our mortgage revenue bond investment portfolio, as previously noted. These investments represent 84% of our total reported assets.

We currently own 85 mortgage revenue bonds that provide permanent financing for affordable multifamily properties, across 15 states. Of these mortgage revenue bonds, 32% of our portfolio value relates to properties in Texas, 25% in California and 21% in South Carolina.

We currently own 10 governmental issuer loans that finance the construction or rehabilitation of affordable multifamily properties, across five states. Alongside our governmental issuer loan, we also commit to fund an additional property loan that shares the first mortgage lien.

Our property loans typically fund after construction advances under the governmental issuer loans are completed. During the fourth quarter, we advanced funds totaling $25 million for our governmental issuer loan, taxable governmental issuer loan and property loan commitments.

During the fourth quarter, we completed one conversion of our governmental issuer loan investment to permanent financing by Freddie Mac. The governmental issuer loan investment was purchased at par by Freddie Mac pursuant to its forward purchase commitment.

In addition, our related property loan was repaid by the borrower at par. Redemption proceeds from the governmental issuer loan and property loan totaled $53 million, of which $48 million was used to pay off our related TOB debt financing.

In addition, another governmental issuer loan investment converted to Freddie Mac perm financing in January 2024, with redemption proceeds totaling $34 million, of which $30 million was used to pay off our related TOB financing.

In total, our mortgage revenue bond, governmental issuer loan and related debt investments have outstanding future funding commitments of approximately $308 million, as of December 31. These commitments will be funded over approximately 24 months and will add to our income-producing asset base.

We also expect to receive redemption proceeds from our existing construction financing investments that are nearing maturity. That capital will be redeployed into our remaining funding commitments.

As a reminder, we adopted Accounting Standards Update 2016-13, or the CECL standard, effective January 1, 2023, which materially impacted our reserve methodology for our governmental issuer loans, property loans and related investment funding commitments.

We reported a negative provision for credit loss of $466,000 for the fourth quarter, largely driven by recent governmental issuer loan and property loan redemptions and a reduction in the weighted-average life of our remaining investment portfolio. We remove the impact of the provision for credit losses in calculating CAD, consistent with our historical treatment of loss allowances.

Our joint venture equity investments portfolio consisted of 12 properties, as of December 31, with a reported carrying value of approximately $137 million, exclusive of one investment that is reported on a consolidated basis.

We advanced additional equity under our current funding commitments totaling $16.1 million during the fourth quarter. This amount includes equity contributed to our two new investments, Freestone Greenville and Freestone Ladera, both of which are in the planning phase.

Our debt financing facilities used to leverage our investments had an outstanding principal balance totaling $1.02 billion, as of December 31. This is down from $1.08 billion as of September 30, primarily due to the redemption of our previous secured notes and the maturity of our M24 TEBS financing in the fourth quarter.

We manage and report our debt financing in four main categories on Page 65 of our Form 10-K. Three of the four categories,--fixed-rate assets with fixed-rate debt, variable-rate assets with variable-rate debt and fixed-rate assets with variable-debt that is hedged with interest rate swaps--are designed such that our net return is generally insulated from changes in short-term interest rates.

These categories account for $982 million, or 96.5% of our total debt financing.

The fourth category is variable-rate debt associated with fixed-rate assets with no designated hedging, which is where we are most exposed to interest rate risk in the near term. This category only represents $36 million, or 3.5%, of our total debt financing.

This category is down from 11.8% of debt financing as of September 30, due to closing of our fixed-rate TEBS residual financing in November 2023 that replaced our previous variable-rate secured notes. We regularly monitor our interest rate risk exposure for this category and may implement hedges in the future, if considered appropriate.

I will now provide an update on our preferred unit activity. We redeemed $10 million of Series A Preferred Units in October 2023 that was funded with cash on hand.

We executed two issuances of our Series B Preferred Units in early 2024. The first issuance was $17.5 million of Series B Preferred Units that were issued in exchange for $17.5 million of previously issued Series A Preferred Units. So this was a recycle of existing capital.

The second issuance was a sale of $5 million of Series B Preferred Units to a new investor for $5 million of gross proceeds. The earliest redemption date for these newly issued Series B Preferred Units is early 2030, with certain limited exceptions.

These issuances provide nondilutive fixed-rate and low-cost institutional capital for executing our strategy. We continue to pursue issuing additional preferred units under our active offerings for our Series A-1 and Series B Preferred Units.

I'll now turn the call over to Ken for his update on market conditions and our investment pipeline.

Ken Rogozinski
Thanks, Jesse. The fourth quarter of 2023 was a much improved quarter for the fixed income markets, and municipal bonds were no exception.

A strong performance overcame the softness ,earlier in the year. The Bloomberg Municipal Index posted a total return of positive 6.4% for 2023. The Bloomberg High-Yield Municipal Index generated a total return of 9.2% for the year.

From a market technicals perspective, while fund flows were still negative on the year at minus $15 billion, the pace slowed significantly from 2022's record $122 billion in outflows.
2023 ended with $376 billion of muni bond issuance, 4% lower than the previous year.

As of yesterday's close, 10-year MMD is at 2.48%, and 30-year MMD is at 3.62%, roughly 70 basis points lower in yield, respectively, than at the time of last quarter's call.

With the inversion in the yield curve, 5-year MMD is actually the low point of the current muni yield curve. The 10-year muni-to-Treasury ratio was approximately 60%, a significant move lower from last quarter's 73% ratio level, demonstrating the recent strength of munis.

Continued volatility in rates, the magnitude of the interest rate increases over the past 18 months, particularly in the short end of the curve, and cost inflation have presented challenges to our developer clients on new transactions.

The interest cost of a new-construction financing at 30-day SOFR plus 350 basis points is approaching 9%. Our affordable developer clients are needing to rely more and more on governmental subsidies and other sources of soft money to make their transactions financially feasible.

We will continue to work with our clients to deliver the most cost-effective capital possible, especially through the use of the Freddie Mac tax-exempt loan forward commitment, in association with our construction lending.

We will continue to look for other opportunities to deploy capital in our JV equity strategy on a selective basis. We believe that getting new projects underway now, while other sponsors face significant challenges, will put us in a better position for success with our exits three to five years down the road, when new supply may be limited. We believe that our new JV equity investments completed year-to-date are reflective of that approach.

With that, Jesse and I are happy to take your questions.

Operator
Thank you. At this time, we will be conducting a question-and-answer session. If you'd like to ask a question, please press "*", "1" on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press "*", "2" if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset, before pressing the star keys. One moment, please, while we poll for questions.

Our first question comes from Stephen Laws, with Raymond James. Please proceed with your question.

Stephen Laws
Hi, good afternoon. Ken, I want to start with a comment from the press release; you may have touched on it there at the end. But you talk about that you're recycling capital from the proceeds from the sale of Suites on Paseo. Can you talk about the returns available in new investments, whether they're MRB or GIL, and how accretive could those be to earnings versus the returns you were making on that equity investment?

Ken Rogozinski
Thanks, Stephen. Well, a couple of things that I'll mention to you there. On what I would call the fixed income side, when we look at new mortgage revenue bond or governmental issuer loan investments, going forward, we go through a rigorous accretion analysis here on our end that takes into account the cost of the funding position that we will do and the associated interest rate hedging.

So when we price our products to a project sponsor for a construction loan or a construction permanent loan, we are making sure that we set that price at a level that's accretive to the partnership. How accretive it is, is really a question of the individual circumstances of the project, the market, the project sponsor, the competition in the marketplace.

But that's an exercise that we routinely go through. And from a management philosophy perspective, we will not close on new lending investments that aren't accretive versus our dividend.

On the joint venture equity side, certainly, the environment that we're looking at today for new projects is different from the landscape that we've seen over the past couple of years. Construction costs are higher. Interest rates are higher. And in some markets, we've seen a leveling off of the significant increases on a year-over-year basis in rents that we saw in 2021 and 2022.

So it's definitely being more challenging from a JV equity investment to find deals that fit our profile and fit our return requirements. We're having to be more selective about the markets that we go into. We may be moving, for example, a little further out in terms of the locations that our JV equity partners are identifying for potential investments. But from a going-in yield perspective, we're trying to stay as consistent as we can with our historical pro forma underwriting assumptions from an investment committee perspective.

Stephen Laws
Great. I appreciate the comments. And Ken, I'm going to jump to my third question here, given your comments. On the JV equity side, I noticed that on Page 142 of the K, it looks like year-to-date you've put in about $3 million of capital to cover it, so the additional construction and interest cost. Is that on one specific--above your original commitment, I believe. Is that on a specific asset? Is that kind of in general across the assets that are in development, or can you talk about that subsequent event that's mentioned in the K?

Jesse Coury
Yes, Stephen, this is Jesse. I can take that one. So, that additional capital that was contributed was across four different Vantage projects, and it's primarily due to interest cost overruns. A lot of these deals that are reaching kind of that stabilization or have stabilized were initiated in late 2020 or 2021 in a very different interest environment and have seen interest cost overruns. So we have elected to put additional equity into those properties, but we've done that selectively, in that we think we can still meet our return metrics on that additional contributed capital.

Stephen Laws
Great. Appreciate those comments, Jesse. And regarding the Tomball asset, broker listing in October. Any update on that? Do you think it's a March sale? Do you think it's more of a Q2 event? Is it still just kind of unknown given the current market environment? But any update on the process on that asset.

Ken Rogozinski
Stephen, I think all I can tell you at this point in time is the process is ongoing. There really isn't any more definitive timing that I can give you at this point.

Stephen Laws
Understood. And one last one, if you don't mind. Jesse, I appreciate you talking about the rate sensitivity. I noticed your table skewed to higher rates. Can you talk about in the decreasing-

rate environment, is it pretty linear if we take the 25 basis points and look as we think about where rates may be in '25?

And given an outlook where rates may decline over the next 18 months, any consideration to increasing your mix of fixed-rate assets with unhedged variable financing to maybe look at the attractive yield coupled with declining financing costs, over time? I know you mentioned that's the smallest component of your mix, but thoughts around that.

Jesse Coury
Yes, you're right, we do have four interest rate rise scenarios in that analysis and one 25-basis point reduction. Generally, those scenarios are linear. It may become less linear the lower we get, due to various floors on some of our investment assets. But in that analysis, our minus 25-basis point scenario is a positive $0.005, or half a penny, of CAD and net interest income impact.

And that's going to be fairly consistent, and it will be, I would say, fairly small because we have hedged our interest rate risk. And that works both ways. It protects us in a rising-rate environment because we'll pay more on our variable financing, but we'll receive more on our interest rate swaps, and it works exactly the opposite on the way down, where we'll receive less on our swaps as our interest costs are falling.

So in terms of additional scenarios, it's something we are considering and we'll consider for future quarters.

Ken Rogozinski
Stephen, it's Ken. I think the only thing that I can add from a management perspective is that the decisions that we make about having something other than a matched funding on it is really driven by the form of the underlying investment that we're financing.

So, if there are unique characteristics that make us feel that a fixed-rate asset with floating-rate funding should stay unhedged, it's really not being driven by a specific view on rates that we have. It's really being driven by, in a lot of cases, the variability associated with potential principal repayment associated with the underlying investment.

So, that one remaining bucket of fixed-rate assets with floating-rate financing that we have is set out that way exactly because of that dynamic. So, it's not because we have a particular view on what's going to happen with short rates in this year or next year; it's really based on the uncertainty of principal repayment timing associated with that asset.

And I think that's something, at least from a management team perspective, that I think we're going to stick pretty consistent with in terms of not trying to really take a specific view on rates by our hedging.

Stephen Laws
Got it. appreciate the comments, this afternoon. Have a good evening, Ken and Jesse. Thanks.

Ken Rogozinski
Thanks, Stephen.

Operator
Our next question comes from Matthew Erdner, with Jones Trading. Please proceed with your question.

Matthew Erdner
Hey, guys, thanks for taking the questions. So given the stress in regional banks recently, do you think that this has benefited you guys with your investment opportunities in the MRB and GIL space?

Ken Rogozinski
Thanks, Matt. Definitely from what we're seeing from our perspective, regional banks are probably the core providers of construction financing for affordable housing projects, across the country. Certainly, you have your large money center banks like the Citi's and JPMorgan Chase's and PNC's of the world who are very active in their more urban CRA footprints. But for the large majority of the rest of the country, it's your smaller to midsize regional banks who are providing that construction financing for affordable housing projects.

So, with the stress that that market has seen since last March with the wind-downs of Silicon Valley Bank and First Republic and Signature Bank in New York, we, from our perspective, have certainly seen a pullback in appetite for that kind of lending with our regional bank competitors.

And so, we believe it's a good window of opportunity for us going into the balance of this year to try to take advantage of that. And again, sort of like we did during the early days of COVID, really gives us an opportunity to strengthen and expand our relationships with some of the larger affordable housing sponsors in the country because of the pressure that their historic lending relationships with those kinds of institutions might have.

Matthew Erdner
That's great. And then I've got two quick ones. Are there any asset-specific CECL reserves? I saw the Live 929 Apartments, but I was curious if there's an asset-specific there.

Jesse Coury
So, there is a roughly $500,000 asset-specific reserve on a property loan for the Live 929 Apartments, but the rest of our allowance on our held-to-maturity debt securities is general reserves.

I will note that on our mortgage revenue bond portfolio, those are available-for-sale securities and subject to a different reserve model. And those are all specific reserves, and they're approximately $10 million related to the Provision Center, which is nearing resolution and we expect to resolve itself fully in 2024, and the Live 929 mortgage revenue bond investment.

Matthew Erdner
That's helpful, an excellent comment, there. And then can you remind me of what book value was?

Ken Rogozinski
Yes, on a diluted basis, we have book value of $15.17 per unit.

Matthew Erdner
Got it, thank you.

Operator
Our next question comes from Chris Muller, with JMP Securities. Please proceed with your question.

Chris Muller
Hey, guys, thanks for taking the questions. So, I believe there's some legislation out there that has passed the House and is now sitting in the Senate that would improve the Low-Income Housing Tax Credit program. First, I guess, do you think that's something that gets across the finish line? And if so, how would that benefit your guys' business? Thank you.

Ken Rogozinski
Thanks, Chris. I can only speculate on that. But based on the bipartisan level of voting that we saw in the House on that and I think some of the other tax credits like the child tax credit that's included in that, what I would call, overall package of tax extenders, my hunch would be that there is favorable action by the Senate on this and something does end up getting done on that front.

With regard to the Low-Income Housing Tax Credit, it's really a lot of technical changes that are included in the bill, but the biggest is the reduction of what we commonly call in the industry the 50% test.

So if you think about our normal 4% Low-Income Housing Tax Credit new-construction capital stack, depending on the state and depending on the state's availability of volume cap, on some of our larger transactions in the more popular states like California or Georgia or Florida, you see a much larger use of property loans or taxable governmental issuer loans because of the scarcity of volume cap in those states.

But you always have to be over 50% because of this test that's included in the IRS code in terms of the allocation of the Low-Income Housing Tax Credits that goes along with the private activity volume cap.

So, the new bill that passed the House lowers that percentage from 50% to 30%. And so, what that really does is in the states where volume cap is a scarce resource, it allows them to allocate that over a larger number of projects and really get more bang for their buck, so to speak.

So from a lending perspective going forward, doing deals in those volume cap-challenged states, it probably wouldn't surprise us to see the percentage of tax-exempt governmental issuer loan financing on those transactions decrease closer to that 30% to 35% level from sort of the current 50% to 55% level, which means there'll be more taxable companion bonds.

But hopefully, given that it's a scarce resource, it allows more projects to receive awards of private activity volume cap and tax credits, which I think is a good thing for the industry as a whole.

Chris Muller
Got it. That's helpful. And then, I guess, can you remind me with the way the housing tax credits are allocated, they're allocated at the beginning of the year, but do the borrowers, are they quick to turn those around, I guess, or does that end up flowing through, throughout the year?

Ken Rogozinski
Yeah, every state is different, Chris. On January 1, the IRS makes the allocation of private activity volume cap to each individual state. And each state has their own, what's called a, QAP, a qualified allocation plan where they, individually, determine how they allocate volume cap.

So for example, in a state like Florida, there's a regional allocation of the state of Florida's volume cap across, I believe it's 12 or 14 regions, and then there's sort of a central pool that is held back over the course of the year. And then project sponsors are free to make applications for allocations of that private activity volume cap in those different regions.

There are other states that have a certain number of rounds each year. California is an example of that where I believe they have three rounds of volume cap allocation that occur at different points in time during the year. And so project sponsors get their applications into the Debt Limit Allocation Committee there in California in order to participate in those rounds.

So, it really varies on a state-by-state basis. And so, it's hard to generalize, but I think it's safe to say that in most circumstances it's not like all the volume cap is gone by the end of January. I think in most of the states that you see who are actively allocating private activity cap to affordable multifamily projects that there is a fairly consistent allocation, over the course of the year.

And then in some circumstances, you do see, once we get into the fourth quarter and they have a better picture of what's actually been used for the year, kind of a cleanup round that goes along then in terms of making last-minute allocations to projects that are ready to close.

Chris Muller
Got it, that's really helpful. Thank you for the context.

Operator
As a reminder, if you would like to ask a question, please press "*", "1" on your telephone keypad. One moment, please, while we poll for questions.

There are no further questions at this time. I'd like to turn the call back over to Ken Rogozinski for closing comments.

Ken Rogozinski
Thank you very much, everyone, for joining us, today. We look forward to talking with you all again, next quarter.

Operator
This concludes today's conference. You may disconnect your lines at this time, and we thank you for your participation.