Greystone Housing Impact Investors LP
Third Quarter 2023 Earnings Conference Call
November 8, 2023

Presenters
Ken Rogozinski, CEO
Jesse Coury, CFO

Q&A Participants
Matthew Erdner - Jones Trading
Stephen Laws - Raymond James
Chris Muller - JMP Securities
Ron Lane - Value Forum

Operator
Greetings, and welcome to the Greystone Housing Impact Investors L.P. Third Quarter of 2023 Earnings Conference Call. At this time, all participants are in a listen only mode. A brief question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star zero on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Jesse Coury, Chief Financial Officer. Thank you. You may begin.

Jesse Coury
Thank you. I'd like to welcome everyone to the Greystone Housing Impact Investors LP NYSE ticker symbol GHI Third Quarter of 2023 Earnings Conference Call. During the presentation, all participants will be in a listen-only mode. After management presents its overview of Q3 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.

Kenneth Rogozinski
Good afternoon, everyone. Welcome to Greystone Housing Impact Investors LP's Third Quarter 2023 Investor Call. Thank you for joining. I will start with an overview of the quarter 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 third quarter of 2023, the partnership reported net income of $0.39 per unit and $0.25 of cash available for distribution, or CAD, per unit. Year-to-date, the partnership reported net income of $1.84 per unit and $1.67 of CAD per unit. Our third quarter reported net income of $0.39 per unit includes a $4.2 million noncash gain that reflects the mark-to-market associated with our interest rate swap portfolio. That translates to $0.19 per unit in noncash gains, which largely accounts for the difference between our net income per unit and CAD per unit metrics for the third quarter.

Year-to-date, we have recognized approximately $6.8 million or $0.30 per unit of noncash mark-to-market gain on our interest rate swap portfolio. We are currently a net receiver on substantially all of our interest rate swaps as we receive compounded SOFR, which is now at 5.33% and pay a weighted average fixed rate of 2.87% on our approximately $290 million in swap notional amounts as of September 30. Assuming the compounded SOFR level stays constant over the next six months, that 246 basis point spread would result in us receiving approximately $3.4 million in cash payments from our swap counterparty, which would not be reflected in our net income, but would be reflected as an additional 0.15 per unit in CAD.

We also reported a book value of $12.97 per unit on $1.55 billion of assets and a leverage ratio as defined by the partnership of 72%. On September 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 October 31.

In terms of the partnership's investment portfolio, we currently hold $1.22 billion of affordable multifamily investments in the form of mortgage revenue bonds, governmental issuer loans, and property loans, $119 million in joint venture equity investments, and $35 million in direct real estate investments. As far as performance of the investment portfolio is concerned, we have had no forbearance request for the multifamily mortgage revenue bonds, and all such borrowers are current on their principal and interest payments. Physical occupancy on the underlying properties was 92% for the stabilized mortgage revenue bond portfolio as of September 30, 2023.

Our Vantage joint venture equity investments consist of interest in seven properties. Three where construction is complete, with the remaining four properties either under construction or in the planning stage. For the three 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 of Tomball property has been listed for sale.

We have two joint venture equity investments with the Freestone Development Group, one for a project in Colorado and one for a project in Texas. Site work has commenced on the Colorado project and construction has commenced on the project in Texas. Our joint venture equity investment in Valage Senior Living Carson Valley, a 102-bed seniors housing property located in Minden, Nevada has continued with its site work.

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. Our single remaining student housing property in San Diego continues to have a strong occupancy level with approximately 100% of the units currently leased. This includes 140 beds that are master leased to San Diego State University.

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

Jesse Coury

Thank you, Ken. Earlier today, we reported earnings for our third quarter ended September 30, 2023. We reported GAAP net income of $9.7 million and $0.39 per unit basic and diluted, and we reported cash available for distribution, or CAD, of $5.6 million and $0.25 per unit. As Ken mentioned, our reported GAAP net income includes $4.2 million of noncash income related to an increase in the fair value of our interest rate swap portfolio during the third quarter, which is reported within interest expense on our statement of operations.

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, such as we have seen in the first three quarters of 2023. Such noncash fair value adjustments are deducted from net income for purposes of calculating our CAD and is the main difference between our GAAP net income of $0.39 per unit and CAD of $0.25 per unit for the current quarter.

Year-to-date, we reported net income per unit of $1.84 basic and diluted and CAD per unit of $1.67 per unit. These year-to-date results include three JV equity investment sales from Q1 and Q2 2023, which when combined, contributed approximately $0.96 per unit to our year-to-date net income and CAD after related expenses and Tier 2 income allocable to our general partner.

Our book value per unit as of September 30 was on a diluted basis, $12.97, which is a decrease of $2.09 from June 30. The decrease is primarily a result of a decline in the fair value of our mortgage revenue bond portfolio during the quarter due to rising market yields. We use third-party service providers to estimate the fair value of our mortgage revenue bond investments. Those third-party valuation models predominantly use municipal market data, tax-exempt, multifamily yield curves to estimate mortgage revenue bond fair values.

These curves increased approximately 82 basis points on average across the curve from June 30 to September 30, which resulted in a corresponding decrease in the fair value estimates. I will note that our mortgage revenue bond investments have predominantly fixed interest rates, so the change in fair value do not directly impact interest income we received from our investment 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.

Accordingly, we do not expect that decreases in the fair value of our MRB investments will be realized through a sale of the investments. We expect the change in mortgage revenue bond fair values to have no direct impact on our operating cash flows, net income, or CAD.

As of market close yesterday, November 7, our closing unit price on the New York Stock Exchange was $16.68, which is a 29% premium over our net book value per unit as of September 30. We regularly monitor our liquidity to both take advantage of accretive investment opportunities and to protect against potential debt deleveraging events, there are significant declines in asset values. As of September 30, we reported unrestricted cash and cash equivalents of $58.9 million. We also had $70.1 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 in this presentation.

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 99 of our Form

10-Q. The interest rate sensitivity table shows the impact on 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 September 30, that is sustained for a 12-month period, will result in a decrease of approximately $1.7 million in our net interest income and CAD or approximately $0.076 per unit.

I will note that this analysis only considers our investments and debt position as of September 30. Not reflected in this analysis is the impact of our TEBS residual financing transaction that we closed in early November. The transaction involved the securitization of our residual interest in three TEBS financings through a governmental issuer. The transaction involved the issuance of $61.5 million of senior affordable housing multifamily certificates that are considered secured financing of the partnership for financial reporting purposes.

These senior affordable housing multifamily certificates have a fixed interest rate, are nonrecourse to the partnership, and are not subject to mark-to-market collateral posting. Most of the net proceeds from the TEBS residual financing were used to pay down unhedged variable rate corporate debt that had a substantially higher interest rate. After factoring in this transaction and all else being held constant, we estimate that a 200-basis point increase in rates that is sustained for 12 months would only have a $0.01 per unit impact on our net income and CAD.

I'd now like to share current information on our investment portfolio, consisting of mortgage revenue bonds, governmental issuer loans and property loans. These assets totaled $1.22 billion, which is down $122 million from June 30. The decline is a result of governmental issuer loan and property loan redemptions during the quarter and a decline in the fair value of our MRB investment portfolio, as previously noted. Such investments represent 79% of our total reported assets.

We currently own 84 mortgage revenue bonds that provide permanent financing for affordable multifamily properties across 14 states. Of these mortgage revenue bonds, 33% 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 a 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 third quarter, we advanced funds totaling $35 million for our governmental issuer loan, taxable governmental issuer loan, and property loan commitments.

During the third quarter, we completed three conversions of our governmental issuer loan investments to permanent financing by Freddie Mac. The three governmental issuer loans were purchased at par by Freddie Mac pursuant to its forward purchase commitments. In addition, our related property loans were repaid by the borrowers at par. Redemption proceeds for the governmental issuer loans and property loans totaled $109 million, of which $96 million was used to pay off our related TOB debt financing.

In total, our mortgage revenue bonds, governmental issuer loans, and related debt investments have outstanding future funding commitments of approximately $307 million as of September 30. 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 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 loan, property loan, and related investment funding commitments.

We reported a negative provision for credit loss of $562,000 for the third quarter, largely driven by recent governmental issuer loan and property loan redemptions, and a reduction in the weighted average remaining term of our current governmental issuer loan and property loan investment portfolio. We have adjusted back 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 10 properties as of September 30, with a reported carrying value of approximately $119 million, exclusive of one investment, Vantage of San Marcos, that is reported on a consolidated basis. We advanced additional equity under our funding commitments totaling $10.2 million during the third quarter.

Our debt financing facilities used to leverage our investments had an outstanding principal balance totaling approximately $1.08 billion as of September 30. This is down from $1.15 billion as of June 30, due to debt repaid upon redemptions of our governmental issuer loan and property loan investments during the quarter.

We manage and report our debt financings in four main categories on page 93 of our Form 10-Q. The first category is fixed rate debt associated with fixed rate assets and represents $261 million or 24% of our total debt financing. As both the asset and debt rates are fixed, our net return is not generally impacted by changes in either short-term or long-term market interest rates.

The second category is variable rate debt associated with variable rate assets and represents $279 million or 26% of our total debt financing. Variable rate indices and floors will vary, but we have effectively protected ourselves against rising interest rates through this match funding approach without the need for separate hedging instruments.

Third category is variable rate debt associated with fixed rate assets that have been hedged via SOFR denominated interest rate swaps. These interest rate swaps limit our exposure to increased funding costs resulting from rising short-term interest rates. This category accounts for $417 million or 38% of our total debt financing. We received net cash payments on our interest rate swaps totaling $1.7 million during the third quarter.

The fourth and final 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 $128 million or 12% of our total debt financing. We regularly monitor our interest rate risk exposure for this category and may implement hedges in the future, if considered appropriate.

I will note the amounts in these four buckets are as of September 30, and do not consider the impact of the TEBS residual financing that we closed in early November. When considering the TEBS residual financing transaction and all else being equal, our unhedged variable rate debt financing decreases from $128 million to $46 million, or from 12% of our total debt financing to approximately 5%.

I will now provide an update on our preferred unit activity. We redeemed $20 million of Series A Preferred Units in August 2023, and an additional $10 million of Series A Preferred Units in October 2023. Such redemptions were funded with cash on hand. We continue to pursue issuing additional preferred units under our active offerings for our Series A-1 and Series B Preferred Units. In addition, we are pursuing an exchange offering of $17.5 million of our existing Series A Preferred Units for Series B Preferred Units.

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

Kenneth Rogozinski
Thanks, Jesse. The third quarter of 2023 was a very challenging quarter for the fixed income markets and municipal bonds were no exception. The Bloomberg Municipal index posted a total return of negative 3.9% in Q3. The high yield municipal index generated a total return of negative 4.2% for Q3, erasing all the positive returns from the first half of the year.

From a market technicals perspective, while fund closed were still negative on a year-to-date basis at minus $12 billion at the end of the third quarter, the pace has slowed significantly from 2022's record $122 billion in outflows. Average monthly supply during Q3 fell short of historical averages.

As of yesterday's close, 10-year MMD is at 3.31%, and 30-year MMD is at 4.28%, roughly 70 basis points higher yield, respectively, than at the time of last quarter's call. With the inversion of the yield curve, five-year MMD is actually the low point of the current muni yield curve. The 10-year muni-to-treasury ratio is approximately 73%. A significant move higher from last quarter's 65% ratio level, demonstrating the recent underperformance of munis.

Continued volatility in rates, the magnitude of interest rate increases in the past 12 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 new construction financing at 30-day SOFR plus 350 basis points is approaching 9%.

Our affordable housing 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 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 our capital in our JV equity strategy. 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 joint venture 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. And ladies and gentlemen, at this time, we'll conduct our question-and-answer session. If you would like to ask a question, please press star one on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may press the star key followed by the number two 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.

Our first question comes from Matthew Erdner with Jones Trading. Please state your question.

Matthew Erdner
Hey, guys, thanks for taking the question. So as assets continue to pay off, what are you looking at or seeing is the most attractive opportunity for the recycling of capital?

Kenneth Rogozinski

Hi, Matt. Nice to hear from you. I think from our perspective, given the relative weightings that we have in our current portfolio and given the 75-25 restrictions under our limited partnership agreement, our current strategy is really one of looking to recycle that capital when we see redemptions into a similar asset class. So for construction loans that convert to perm, we'll be looking to recycle that capital into new governmental issuer loans or property loans. For our JV equity investments, as we see redemptions from property sales there, we'll be looking to recycle that capital into new JV equity investment opportunities. So I think on a relative basis, at least as we sit today, we're looking to have the investment portfolio sort of keep the same relative blend that we have and recycle the capital into those same asset classes.

Matthew Erdner
Yeah. That's helpful. And then changing gears here. Can you talk about underwriting standards? As we get to the end of the hiking cycle, what has changed in the underwriting or I guess on a go-forward basis with things such as taxes, insurance, rent assumptions, and just overall costs that are going into these? Thanks.

Kenneth Rogozinski
Addressing primarily the affordable housing lending portion of our business there, Matt. A couple of things. On the construction lending front, I think it's been heartening from our perspective to see the pause that the Fed has taken at its past two meetings on increases in the Fed funds rate. From my perspective, I think we're definitely towards the end of that rate hiking cycle. And so as we look at making new construction lending decisions and underwriting, we focus on the projections for capitalized interest that are built into the overall construction budgets for those transactions.

I think, given where we currently stand in the rate cycle, that we've had to add less in the way of margin to our underwriting for those transactions, given where we view rates currently and the unlikelihood that we're going to see another 200-plus basis points of short-term rate increases over the course of an 18- to 24-month construction life cycle for those projects. So that's been one change that we've seen from an underwriting perspective.

In terms of evaluating the perm takeouts on those transactions, as we look at our longer tenure and mortgage revenue bond investments, we've certainly been mindful of increasing property tax expense and property insurance expenses. We see that on a quarter-over-quarter basis as we do our surveillance and asset management of our existing MRB portfolio, and in certain jurisdictions, particularly Texas for property taxes and in the Gulf Coast areas for hazard insurance, we're definitely being mindful of increases that we're seeing in those markets as we underwrite new transactions there.

Matthew Erdner
Thanks for answering the questions.

Operator
Our next question comes from Stephen Laws with Raymond James. Please state your question.

Stephen Laws
Hi, good afternoon. Kenneth, I guess, first one, I'll touch base on the JV equity investment portfolio. I know you guys just listed one of the assets on a broker's listing earlier this quarter. Can you talk about your outlook maybe next year, two or three sales? How do you think about an asset like Fair Oaks? It's just now over, say, 50% occupied. How do these typically lease up kind of on the getting from where that is up to the 90% plus where you'd like to typically see occupancy before selling an asset?

Kenneth Rogozinski
Yes. A couple of things for you there, Stephen. I guess, first is just to reiterate that we're a somewhat passive investor in those properties. We don't have control over the day-to-day operations, and we don't make the primary decisions about when projects are listed for sale. Those decisions are really made by our partners on those transactions.

What I would say is that, first of all, you sort of look at the normal life cycle that we've gone through on these assets. I think Jesse on average, it's been a 36 to 40-month holding period from the start of construction to sale on our JV Equity Investments in the past. So I don't think we've really seen anything in terms of current market situations that would significantly change the Vantage Group's approach or process there.

I think the other bit of detailed color that I'd give you, Stephen, though on the stabilization time frame is that, even though a deal may reach high 80s to low 90s occupancy on a relatively quick basis, particularly given the way that the Vantage style assets are done, there is a fair amount of what I would call management or optimization of the rent roll that our partners undertake before they actually make the decision to list a property for sale.

In a lot of circumstances, when the initial lease-up of a project happens, the original tenants are somewhat usually offered concessions to take occupancy of those units. And so the approach that the Vantage team has taken in the past is that they like to sort of work that rent roll and get through a turn of those initial leases to be able to try to optimize the project's gross potential rent before something is actually listed for sale. So even though you may see something reach 90% physical occupancy relatively quickly, there is an extended period over which our partners will manage the rent roll in an attempt to maximize the performance before it's actually listed for sale. And that, I think, as sort of a general philosophy, that's an approach that we really don't see changing in the foreseeable future.

Stephen Laws

Great. Appreciate the color on that. Moving to another asset in multifamily. Can you talk a little bit about the asset near San Diego State University? I know you touched on it in your prepared remarks, 100% occupancy. It looks like you put a mortgage loan on that. Can you talk about kind of your plan for that? I think it's a pretty short loan, but correct me if I'm wrong there, maybe any color on kind of your plans with that asset longer term.

Kenneth Rogozinski
I think there, Stephen, we've been pretty candid in the past about saying that we are not a long-term owner of that asset. We did take title to it through a defaulted mortgage revenue bond transaction. So we don't have direct ownership of any other real estate assets in our portfolio currently. And so I think it's consistent with our strategy to try to figure out when the appropriate time is to exit that asset.

With regard to your question about the debt financing that was done during the third quarter there, as part of our renegotiation of our secured credit facility that happened during the second quarter, we were able to negotiate the ability to release that asset from that facility. So in terms of overall liquidity management and levered return on that capital that we have deployed there to the project. We felt that it was prudent and had a window of opportunity to be able to incur that financing. And so that was our strategy for doing that.

Stephen Laws
Great. And then lastly, the fair value market in the portfolio don't run through the income statement, but obviously did impact book value this quarter. Do you have an updated book value number kind of where we are, middle quarter or kind of end of October, given rate changes since quarter end or kind of any updated color around those marks?

Jesse Coury
Yes, Stephen. This is Jesse. We haven't dug too much into detail on that. As I mentioned in the prepared remarks, we're really a long-term holder of the mortgage revenue bonds. And so the fair value mark doesn't really impact our main focus, which is generating net spread from those investments to be able to pay distributions to the unit holders. And so it's something we monitor, but not, I would say, in great detail. We're more concerned about credit issues at the underlying properties to make sure that we're not going to have debt service issues that we watch on a more regular basis.

Kenneth Rogozinski
I think, Stephen, the only thing that I would add there is that from a hedging perspective, as we've talked about, our philosophy has really been to hedge our cost of funding where it is floating rate. We really don't hedge to protect, so to speak, the mark-to-market value of our core fixed income portfolio. I mean, as we think about it, if you look at that first bucket that Jesse talked about in the debt breakdown, the fixed rate debt associated with the fixed rate bonds that are funded by

that fixed rate debt, that's a situation where we really have no hedging done there because we have, for all intents and purposes, a locked in net interest margin on for what is, for all intents and purposes, a held-to-maturity portfolio.

And so to the extent that we were to try to hedge the value of those underlying bonds there is, from my perspective, to the extent that there was a negative carry associated with that hedging that would eat into our net income and our cash available for distribution. And really, at least as far as I can tell, have no positive impact to our unit holders other than through the calculation of what the book value is on a quarterly basis. So I think that's historically been the philosophy of the partnership from a hedging perspective. And that's not something that I see us changing to worry about managing book value on a quarter-over-quarter basis.

Stephen Laws
Go it. All right. Appreciate the comments this afternoon. Thank you.

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

Chris Muller
Hi, guys, thanks for taking the questions. So, nice to see the new developer relationship. Just remind me if this is the third or fourth developer you guys are working with? And then on the pipeline for these investments, could we assume that that pipeline scales up as you add new developer relationships there? And it sounds like that might not lead to more volume given some of the restrictions you guys have in place on capital deployment. But would that allow the JV to be more selective on opportunities that they do choose to pursue?

Ken Rogozinski
So a couple of things there, Chris. It is four -- we have the seven legacy Vantage assets. The two with Freestone, the one senior living deal with ISL in Nevada, and then the new deal in Huntsville that you mentioned. I think as we go forward, those JV equity investments have been very profitable for us and have been great diversifiers of our earning power. So we're always going to look for what we think are good risk-adjusted opportunities with our current network of JV partners there on that front.

As we start to get into a little bit more of a challenging environment in terms of availability of construction financing, cost of construction financing, and looking at what potential exits are, while we do have capacity under our 25% alternative bucket to make more investments in this nonmortgage investment category, I think it's something that we just need to be mindful of in terms of making those capital allocation decisions and picking the right opportunities for us to both recycle the capital that we're seeing come back from the exits of the existing portfolio and thinking about the places that we want to deploy new capital into.

Chris Muller
Got it. That's helpful. And then I guess turning gears a little bit. Can you talk through some of the differences or opportunities that this new TEBS residual financing has? Or is the benefit just essentially converting to a fixed rate after the paydowns of the other financing? Or are there other differences with residual financing?

Kenneth Rogozinski
Yeah, I think there are some pretty significant differences between the new financing that we just closed earlier this month and the previous secured note structure that we had. Jesse mentioned the first big change being the change from floating rate to fixed rate. We've seen a significant reduction in our current pay rate, and that rate is now fixed for term. We've also extended the term of that financing. That secured note facility originally matured in 2025, and we've extended this new facility out to 2034. So a nine-year extension there.

The other thing that from my perspective is probably maybe one of the biggest benefits to this is that the form of our previous secured note financing with our lender there was done under our ISDA that was subject to mark-to-market. And we have eliminated that through this transaction that this was a direct placement of fixed rate tax-exempt bonds to the investor community. And so there is no mark-to-market provisions or collateral call provisions associated with that. So I think when you take all those factors together, from my perspective, it's a significant improvement over the existing financing that we've had in place without the pledging of any additional collateral.

Chris Muller
Got it. That's very helpful. Thank you for the color.

Operator
Thank you. And a final reminder, if you'd like to ask a question, press star one on your phones now.

Once again, press star one on your phones now.

Our next question comes from Ron Lane with Value Forum. Please state your question.

Ron Lane
Hello. It just dawned to me while listening to the conference call. This is my seventh year with ATAX and now GHI. It's been an interesting journey. Jesse, I need your best educated estimate and then your best educated guesstimate. The estimate would be for 2023, which will be over in, what, about six, seven weeks. Eight weeks were up, seven weeks, I guess. The percentage of your total cash distribution is only that are taxable versus tax free and then more of a guesstimate,

although you have a pretty good handle of where you're heading in terms of where your money is going for 2024. Where it is percentage-wise than taxable versus tax rate? I won't hold you responsible to that, by the way, at the end of each year.

Jesse Coury

Hello, Ron. Yes. So just as a reminder, GHI is a partnership for tax purposes. So the income and expenses and the net income that we generate as a partnership is allocated to unit holders based on the percentage ownership each unit holder has. Distributions are something separate. That is cash that we have declared and determined that we can distribute to unit holders. And we also have done distributions in the form of additional units throughout the year as a way to return additional value to the unit holders.

So I believe the real question is what is the income split between tax-exempt and taxable income. And that we won't know for certain until after the closing of our fiscal year and issuance of our K-1s, which should be in early to mid-March of 2024. The mix between tax-exempt and taxable income depends on a variety of factors throughout the year, particularly the level of taxable transactions and the size of our tax-exempt net spread portfolio.

In order to give unitholders an ability to estimate where that will come out, we do provide in our supplemental report, that's available on a separate page on our Investor Relations website, a breakdown of tax exempt and taxable income for tax years 2020 through 2022 that will give unit holders the ability to see based on the level of taxable transactions that we had in those given years what the split was.

Working off of memory, but I believe the 2022 split was roughly 25% tax exempt and 75% taxable. I would note that there were significant gains on sales from JV Equity Investments in 2022 that drove up the taxable income portion. But you can compare the taxable income from those JV Equity Investments in 2022 to our year-to-date and expected JV activity in 2023 to ballpark where that split may come in at.

And then regarding 2024, similar response. It will be a variety of factors. We don't know what exits will be on taxable transactions, whether they will occur at all or at what levels gains or losses will be generated from those transactions. So I really can't give too much projections other than say, make your estimates based on where our portfolio sits on on exits and look to historical results to try to estimate as best you can, what the tax exempt and taxable breakout will be.

Ron Lane

We have 573 members. I would have met probably half of them over the years because we've had the annual conventions pretty much every year until the last few years. The average retail investor, a lot of them have advisers. I would say most of them probably 2/3, 3/4 of them are doing it themselves. And I understand what you're saying, but they're not following GHI the way

I am or certainly you folks are. And I think it's still a fair question to ask, could (inaudible) want to know whether they put it in IRA, which is where it belongs, if it's mostly taxable, or in a taxable account, if it is mostly tax-free. And I knew where 2022 was, and I get the feeling that it's getting a little bit -- I told them a very uneducated guesstimate is I thought it may be a little more tax-free for 2023. But you certainly have a better handle on that than I would. I'm not going to send you a note at the end of the year when all the numbers are out and say you're wrong. Again, it's a best estimate and a best guesstimate. And that's I'm asking if you have any kind of handle at all on where it is because, again, the major reason, including for us, is could it be taxable or an IRA? Or should it be a little bit niche or wherever? I think it's a fair question. We ask that whenever we buy anything.

Jesse Coury
And Ron, all I can say is we've tried to provide the information we can to be able to let unit holders make that best estimate. In regards to investors holding it in an IRA or some other tax-deferred account, that's going to depend on individual investors' tax circumstances, and other investments that we are not privy to. And we cannot give any sort of tax advice as to where or how to hold our investment in BUCs other than factually state how the income flows from our fund to our unitholders on the schedule K-1. But if you have any further specific questions, feel free to call me directly. I believe you have my number, and we can talk through that.

Ron Lane
Do you have 2022 handy by any chance, I can get it. Do you have with you 2022? I had that at one time, but I don't have it handy.

Jesse Coury
I can look it up and confirm with you, Ron, offline, but I believe it was 25% tax exempt, 75% taxable-

Ron Lane
--Okay. Yes, you said that. Right. I apologize -- about 25 -- all right, Jesse. Keep up the good work. Thank you.

Jesse Coury
Thank you, Ron.

Operator
There are no further questions at this time. I'll hand the floor back to Ken Rogozinski for closing comments.

Kenneth Rogozinski

Thank you very much for joining us today. We look forward to speaking with everyone again next quarter. Thank you. Goodbye.

Operator

This concludes today's conference. All parties may disconnect. Have a good day.