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Image: Courtesy of J.T. MacMillan Photography
Panelists at the "What Investors, Syndicators Really Think" panel at the Novogradac 2026 Affordable Housing Conference in San Diego discussed the impact of multiple provisions in the 2025 One Big Beautiful Bill Act that are having an impact on affordable housing.

Buyer's Market for Equity Investors, Say Panelists at Novogradac LIHTC Conference

NICK DECICCO, SENIOR EDITOR AND PRODUCER, NOVOGRADAC

Investors are becoming fastidious as low-income housing tax credit (LIHTC) equity evolves into a buyer's market, panelists said May 7 during the "What Investors, Syndicators Really Think" panel at the Novogradac 2026 Affordable Housing Conference in San Diego.

Multiple panelists noted that several provisions introduced last summer in the One Big Beautiful Bill Act (OBBBA) have changed the shape of the market, including lowering the 50% financed-by test to 25% as well as an additional supply of credits thanks to a 12% increase in the annual allocation of 9% LIHTCs.

"Investors are becoming really selective with the additional credits and also as deal sizes get larger," said John Lee, managing director of investor relations and funds management for Hunt Capital Partners and one of the five panelists. "I look at it this way: We now have this thousand-piece puzzle and everybody wants to start with the edge pieces, so those are deals that are clean cut, strong guarantors, experienced, strong sponsors and, most importantly, deals that have a path to close. … So, when you're now looking at newer deals, you're looking at the complexities and trying to figure out, OK. Is this a deal that will close in the time frame that they need it to close in?"

> **I don't know if any deals are really plain vanilla anymore. … A simple deal could end up being one of the most complicated deals at the end of the day.**
>
> *-Aaron Krasnow, Walker & Dunlop*

Brian McMahon, executive vice president for R4 Capital and one of the panelists, had similar sentiments. "I would say investors are definitely aware that it is, from their perspective, a buyer's market," said McMahon.

McMahon attributed the market's state to downward pressure on pricing as yields increase.

Investors are filling up on their 2026 appetite, said panelist Roy Faerber, senior vice president of West Coast equity production for Boston Financial. Faerber called the equity market "dynamic."

Swings toward the investors' favor usually signal a change in underwriting standards and transaction terms, said Aaron Krasnow, managing director of originations with Walker & Dunlop. Krasnow said investors are seeing a multitude of opportunities.

Novogradac partner Nicolo Pinoli moderated the panel, which also covered transaction complexity, types of transactions and the possibility of including individual investors.

Transactions: Vanilla vs. Spumoni

On the topic of investment complexity, Pinoli compared transaction complexity to flavor profiles, asking if the panelists see plain vanilla or spumoni more often.

"It's my experience that every deal is advertised as a vanilla deal," said Pinoli.

Krasnow told the audience that plain vanilla transactions are vanishing between varying sources, requirements, lenders, rising interest rates and more. Even many 9% LIHTC transactions are beginning to involve a variety of soft financing, he said. With the additional supply of tax credit in the market and elevated costs on transactions, investors are having to look to alternate and/or creative structures.

"I don't know if any deals are really plain vanilla anymore," said Krasnow. "A simple deal could end up being one of the most complicated deals at the end of the day."

Investors are going to choose the easiest transaction, Faerber said.

"If you have two deals side by side and show them to an investor and one's right down the fairway and the other one's out in the rough, they're going to pick the easier deal," said Faerber. "That's just how people try to manage their workload and hit their numbers for the year."

For Hunt's part, Lee emphasized the importance of developers understanding who their investors are and their needs.

Lisa Furbush, industry principal for affordable policy and compliance for Yardi, who brought a property management perspective to the panel, said management agents also appreciate more vanilla transactions.

What Investments Get Done

The passage of OBBBA has greater incentivized acquisition-rehabilitation transactions.

"Acq-rehab is back," said Faerber, who was closing on two such transactions at the time of the conference. Additionally, Faerber advised developers not to promise the debt opportunity to a lender until they've spoken to an equity investor.

While the new 25% financed-by test helps, another positive to investors is the fact rehabilitation can also be delivered more quickly than a new construction, thus providing benefits to investors more quickly. Many developers and investors are choosing this route, Krasnow said. “It’s the only way to take advantage of the additional credits that are coming from the reduced bond test,” said Krasnow.

Acq-rehab transactions also balance a multi-investor fund, said McMahon.

“More diversity in a fund is always better,” said McMahon. “[Acq-rehab] deals often deliver credits earlier, and it’s nice to have a fund where there’s some number of deals that are going to deliver credits right away and then others that are going to deliver down the road. It makes for a longer credit stream.”

Lee, too, said Hunt is seeing more acq-rehab transactions. “I feel like they have a little more certainty to close,” said Lee, especially in states said that supplement federal LIHTCs with their own state tax credit.

The size of the seller carryback note is essential in acq-rehab transactions, Pinoli said.

“As the numbers guy, my experience is the difference between an equity acq deal that works and one that doesn’t is the size of that seller carryback note,” said Pinoli.

Prevalence of Possibilities

Spurred by a question from the audience, the panelists discussed whether the possibility that the abundance of developments available to investors would mean some developers will have to return credits.

“I think it’s going to have to happen, when we look at all the deals that I’ve seen and the number of deals that I’ve seen two, three, four times coming back with different sponsorship organizations,” said Krasnow.

Like Krasnow, Faerber is seeing developers circle back with lower prices and asking for extensions.

While having to return credits is unfortunate, having a plethora of credits in the market is ultimately a net positive, McMahon said.

“The big picture is more deals are going to happen now than did when we had fewer credits,” said McMahon “This is a good thing for the country, and this is a good thing for our industry. But there are side effects that we are dealing with and that’s essentially what we’re talking about.”

Small Developments in Rural Areas

For smaller developments in rural areas, panelists said that transaction size, investor and the sponsor are all important variables.

Adding smaller, rural developments into a multi-investor fund is one avenue to bringing the transaction to fruition, said Lee. Working with regional banks with Community Redevelopment Act (CRA) need in that area is also a strategy.

That hit upon Faerber’s point, which is the importance of economies of scale. While echoing Lee’s point about CRA need, he also noted some investors have a preference for smaller transactions.

Adding venture capital or B bonds to drive the debt leverage down are other strategies, said Krasnow. The goal in this approach would be to get the first mortgage to 30% or less of development costs.

Tracking Complexity in Compliance

On the topic of LIHTC compliance, Furbush is seeing a rise in management agents and software. In an increasingly challenging market to close transactions, Furbush said gap financing is creating a logistical burden for some managers, developers and even the software tracking compliance to keep up.

"When we're starting to talk about the additional layers. I think I'm quoted as saying, 'Just say no to gap financing,'" said Furbush. "If you're on the property and management side, because the complexities that start coming in come harder and harder, what some of these new agents are coming up against are the varying restrictions that need to be in a deal. They are not combined with the tax credit. They're getting harder and harder and harder. And the software is not keeping up with the reporting, the tracking and the validations that need to be entered."

Additionally, Furbush said states are working more and more to align their programs with the U.S. Department of Housing and Urban Development's (HUD's) programs to streamline and improve the remedies to the nation's affordable housing crisis.

Investors, meanwhile, are showing some pushback, asking for more restrictive methods and deeper verification for calculating income than a state or HUD might be doing.

"We are living in a really unique space, so you want to make sure that when you are creating these deals, bring your management company in early," said Furbush. "Let them look at the deal. Let them look at what are the restrictions."

Bank Mergers Impact on Appetite

Through March, the nation has seen 25 bank transactions since the start of 2026, totaling $15.11 billion, according to S&P Global. One audience member asked how bank mergers and acquisitions would have an impact on LIHTC equity appetite. Lee said some banks, as they reorganize after the merger, need time to reassess their geography and their new CRA footprint.

"I wouldn't say they're pulling back credit," said Lee. "I would say it stalled it a little bit just as they're internally consolidating systems and then working with their regulators to understand what part of their cycle they're in."

McMahon said that, around the margins, mergers may reduce appetite, but he did not think it was a "dramatically material" impact. Banks that merge their community development teams often do so for economies of scale, which can, at least temporarily, reduce the new applicable combined bank's investment in LIHTC transactions.

Individual Investors

As to bringing individual investors into the market for LIHTCs, while the panelists varied on their answers, they generally agreed that it would add complexity.

For Faerber, it's a question of whether an individual investor has sufficient passive income to use the benefit a tax credit transaction can deliver.

"Because you're not only getting credits, you're getting all the depreciation and all those passive losses, and you need passive income to offset that," said Faerber.

For syndicators, Krasnow said it requires a different infrastructure that syndicators do not have, equating it to market-rate developers either relying on friends and family or Institutional equity. The correct infrastructure would need to be successful in those two different capital approaches, he said.

Faerber emphasized that although complicated, it demonstrates that adding individual investors can be done.

"It's just a different model than how we generally set up," said Faerber. ❖

NOVOGRADAC®

Contact

CORRESPONDENCE AND EDITORIAL SUBMISSIONS
Teresa Garcia
teresa.garcia@novoco.com
925.949.4232

ADVERTISING INQUIRIES
Christianna Cohen
christianna.cohen@novoco.com
925.949.4216

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