

AFL-CIO Housing Investment Trust:
Opportunities to Create Housing
and Jobs in the State of Washington

Presented to:
Treasurer Mike Pellicciotti
Office of Washington State Treasurer
August 22, 2024

Jazzie Collins Apartments
San Francisco, CA



SUMMARY OF THE HIT



Overview

- \$6.6 billion investment grade fixed income portfolio
- Internally managed, open-end institutional mutual fund under Investment Company Act of 1940
- Socially responsible investment vehicle

Long History and Track Record

- Opened doors in 1984 (successor to the Mortgage Investment Trust, started in 1965)
- Diverse leadership team with average 29 years experience, 20 years at HIT
- Record of consistent and competitive returns

Investment Strategy

- Focus on high credit quality multifamily mortgage securities
- Higher income with superior credit quality and similar interest rate risk
- Provides liquidity and diversification versus other core strategies

Active Impact Investing

- Affordable housing creation and preservation
- Union construction jobs creation
- Successful ESG record generating economic impacts that benefit underserved communities

As of June 30, 2024

HIT OBJECTIVES AND STRATEGY

Objectives

- Generate competitive risk-adjusted total returns versus its benchmark
- Create work for union members in the construction trades and related industries
- Support housing construction including affordable and workforce

Strategy

- Construct and manage a portfolio with:
 - superior credit quality
 - higher yield
 - similar interest rate risk relative to its benchmark

Core Competency

- Specialize in directly sourced multifamily mortgage-backed securities (MBS) that create jobs and housing (including affordable)
- Multifamily MBS tend to provide an income advantage compared to other securities with comparable credit and interest rate risk
- Offer diversification to investors and liquidity

History of the HIT

- Created by the AFL-CIO Executive Council led by President George Meany:
 - Established to encourage and assist development of lower income housing while creating employment for the construction trades
 - “A massive attack would be made to meet America’s tremendous unmet housing needs”, George Meany*
- **100 percent union labor requirement** for all directly-sourced construction related investments



*Letter from George Meany, President, AFL-CIO, dated March 23, 1964 regarding the establishment of a Mortgage Investment Trust and Auxiliary Housing Corporation at p.2 (the “Meany Letter”). The Meany Letter is available on the HIT’s website at https://www.aflcio-hit.com/wp-content/uploads/2019/10/meany_letter.pdf.

HIT'S LONG HISTORY OF IMPACT INVESTING

607 Projects

202 Cities represented across
30 states

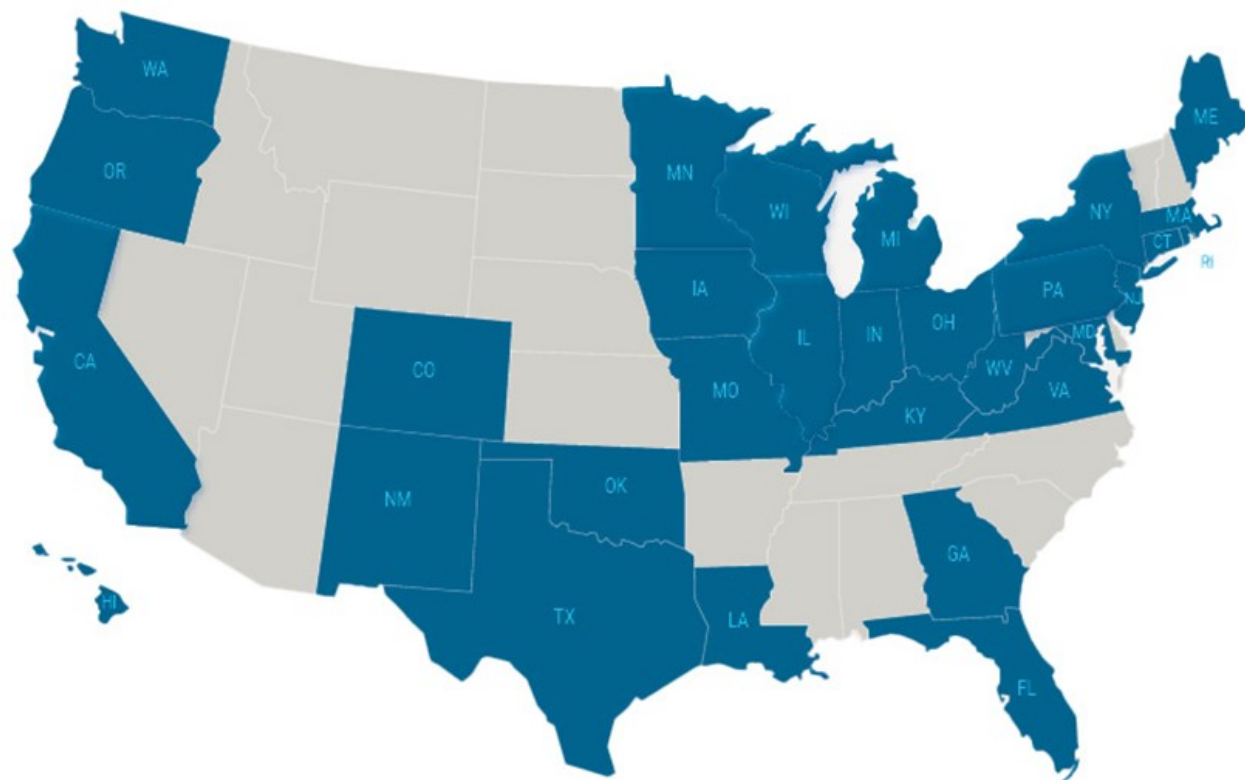
129,003 Housing units, with **67%**
affordable housing

\$10.9B Invested or allocated

\$21.9B in total
development cost

\$47.6B in total economic impacts

207.6M Hours of on-site union
construction work created



*Source: HIT, based on HIT and HIT subsidiary Building America CDE, Inc. project data. Data current as of June 30, 2024.

HIT'S INVESTMENT IN MAJOR MARKETS*

(1984-2024)	Bay Area	Boston	Chicago	New York City	Twin Cities	Major Markets	Nationwide
# of Projects	22	42	67	76	83	290	607
HIT Investment^o	\$484.7M	\$820.9M	\$1.1B	\$2.0B	\$1.6B	\$6.1B	\$10.9B
Total Development Cost	\$915.4M	\$2.2B	\$2.9B	\$5.0B	\$2.5B	\$13.5B	\$21.9B
Union Construction Hours	10.5M	16.8M	24.9M	26.2M	22.0M	100.5M	207.6M
Total Jobs Created	11,585	20,475	28,484	29,358	27,899	117,801	237,200
Housing Units (% affordable)	3,578 (36%)	4,871 (90%)	14,773 (68%)	44,609 (92%)	11,876 (53%)	79,707 (79%)	129,003 (67%)
Total Economic Impact	\$2.4B	\$4.5B	\$5.5B	\$6.3B	\$5.5B	\$24.1B	\$47.6B

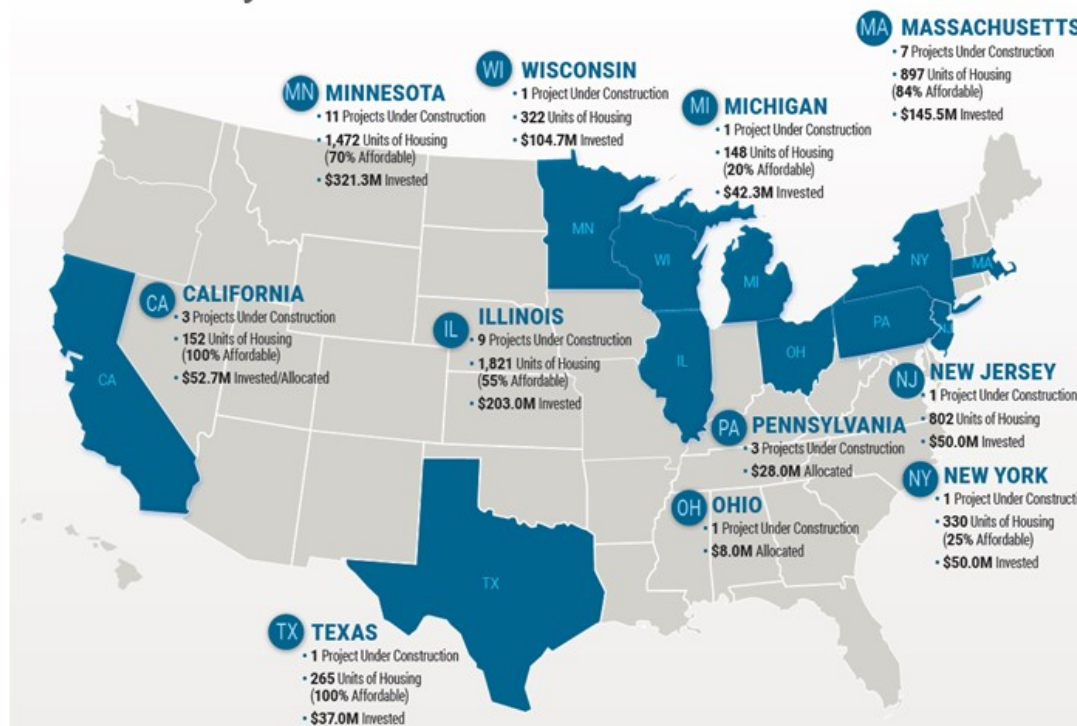
^o Includes NMTC allocations by HIT subsidiary Building America CDE, Inc. as follows: \$21M in Boston, \$10M in Chicago, \$8M in NYC. \$247M nationwide

*Source: Pinnacle Economics, Inc., and HIT. Job and economic impacts provided are estimates calculated using IMPLAN, an input-output model based on HIT and HIT subsidiary Building America CDE, Inc. project data. Data current as of June 30, 2024. Economic impact data is in 2023 dollars and all other figures are nominal.

PROJECTS COMMITTED/IN CONSTRUCTION

AS OF JUNE 30, 2024

39	Projects
23	Cities represented across 11 states
6,209	Housing units, with 53% affordable housing
\$1.0B	Invested or allocated
\$3.7B	in total development cost
\$6.6B	in total economic impacts
24.5M	Hours of on-site union construction work created



*Source: Pinnacle Economics, Inc., and HIT. Job and economic impacts provided are estimates calculated using IMPLAN, an input-output model based on HIT and HIT subsidiary Building America CDE, Inc. project data. Data current as of June 30, 2024. Economic impact data is in 2023 dollars and all other figures are nominal.

HIT Investments in Washington

The HIT has invested a total of **\$9.18** million in two projects in the state:

- **\$4.59** million towards the development of the **Concept One Apartments** in the **Belltown** neighborhood in northwest **Seattle**, a **70-unit** mixed income building.
- **\$4.59** million towards the development of **142** mixed-income units at the **Orchard Hills Apartments** in **Richland, Washington**.



Concept One Apartments
Seattle, WA



Orchard Hills
Richland, WA

Proposed State Housing and Jobs Initiatives

Program Goal:

- Address the state's need for affordable rental housing and sustainable, equitable job creation by leveraging long term responsible investment capital for construction and permanent debt financing
- Incentivize communities and developers to make a long-term commitment to both affordable housing construction and responsible workforce development through the construction of affordable housing with a skilled and trained workforce

Key Elements:

- Leverage long term responsible investment capital for construction and permanent debt financing by attracting pension fund investment for the creation of affordable housing and careers in construction
- Award gap financing to teams including pension fund investors
- Pension fund investors allocate financing to developers committed to creating careers in construction and affordable multifamily rental housing construction
- Public funds supplement first mortgage debt from the pension fund investors for construction and permanent financing, making affordable housing development feasible

Proposed State Housing and Jobs Initiatives

Parameters:

- Developments providing entry into construction careers via state registered apprenticeship programs, including utilization of nationally-recognized apprenticeship readiness programs and curriculum.
- Developments with minimum hours of on-site construction by apprentices enrolled in state- registered apprenticeship programs.
- Utilization of contractors dedicated to creating careers in construction through their funding of joint labor-management apprenticeship programs.
- Developments involving Project Labor Agreements with local building trades.
- All projects must adhere to all statutes and regulations governing the payment of prevailing wage.
- Ensure that any developer that is being utilized for an affordable housing project can demonstrate a long-term commitment to hiring local residents and utilizing apprentices in registered apprenticeship programs.

Qualified Applicants' Teams Would Include:

- Parties with a demonstrated track record of financing construction of affordable housing utilizing a skilled and trained workforce, including apprentices enrolled in state-registered apprenticeship programs.

Examples of Programs/Initiatives

Government Programs

- Nevada: \$20 million set aside from \$75 million State Infrastructure Bank to finance construction of affordable housing; requires use of financing from institutions like the HIT and a Project Labor Agreement.
- Maine: \$20 million set aside of ARPA funds to finance construction of affordable housing built under a Project Labor Agreement, out of \$50 million of ARPA funds appropriated for affordable housing construction.
- New York: Proposed \$1 billion of state appropriated funds, through the New York Jobs and Housing Act, to finance the construction of affordable rental and cooperative housing, which requires the use of financing from institutions like the HIT and a Project Labor Agreement.

HIT Initiatives

- New York City Community Investment Initiative – the HIT has invested \$2 billion in New York City, creating or preserving 44,970 units of rental housing, 41,209 of which are affordable or workforce housing, as well as producing 13,070 union construction jobs.
- Massachusetts Housing Initiative – the HIT has invested \$1 billion in Massachusetts, creating 6,688 rental housing units, 5,981 of which are affordable or workforce housing, as well as producing 10,231 union construction jobs.

ADDITIONAL INFORMATION ON HIT

RELATIVE VALUE – FUNDAMENTALS VS. BENCHMARK

As of June 30, 2024

AFL-CIO
HIT

	HIT	Bloomberg Agg [^]		HIT	Bloomberg Agg [^]
Higher Credit Quality			Similar Interest Rate Risk		
U.S. Government/ Agency/Cash	88.2%	71.1%	Effective Duration	5.97	6.02
A & Below/Not Rated	5.2%	23.7%	Convexity	0.20	0.27
Quality Rating	Aa1	Aa2			
Higher Yield			Similar Prepayment Risk		
Current Yield	4.05%	3.68%	Prepayment Protection	72%	74%
Yield to Worst	5.65%	5.00%	No Prepayment Protection	28%	26%

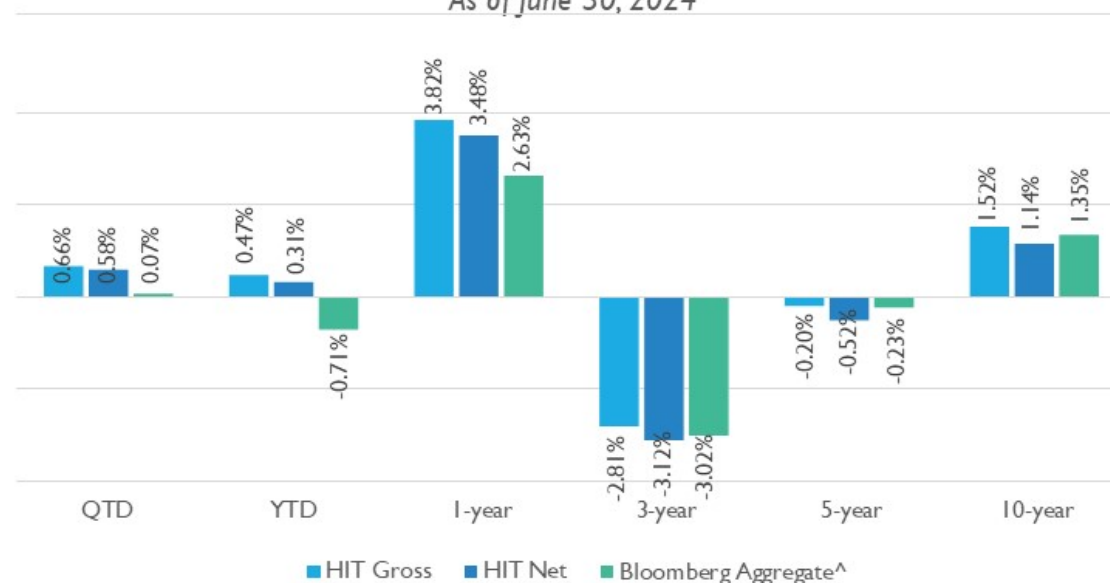
The calculation of the HIT yield herein represents a widely accepted portfolio characteristic based on coupon rate and current price and is not current yield or other performance data as defined by the SEC in Rule 482.

[^] Source: Bloomberg Index Services Limited

HIT PERFORMANCE RELATIVE TO BENCHMARK

Total Returns vs. Benchmark

As of June 30, 2024



The performance data quoted represents past performance and is no guarantee of future results. Periods over one year are annualized. Investment results and principal value will fluctuate so that units in the HIT, when redeemed, may be worth more or less than the original cost. The HIT's current performance data may be lower or higher than the performance data quoted. Performance data current to the most recent month-end is available from the HIT's website at www.aflcio-hit.com. Gross performance figures do not reflect the deduction of HIT expenses. Net performance figures reflect the deduction of HIT expenses and are the performance returns that HIT's investors obtain. Information about HIT expenses can be found on page 1 of the HIT's current prospectus.

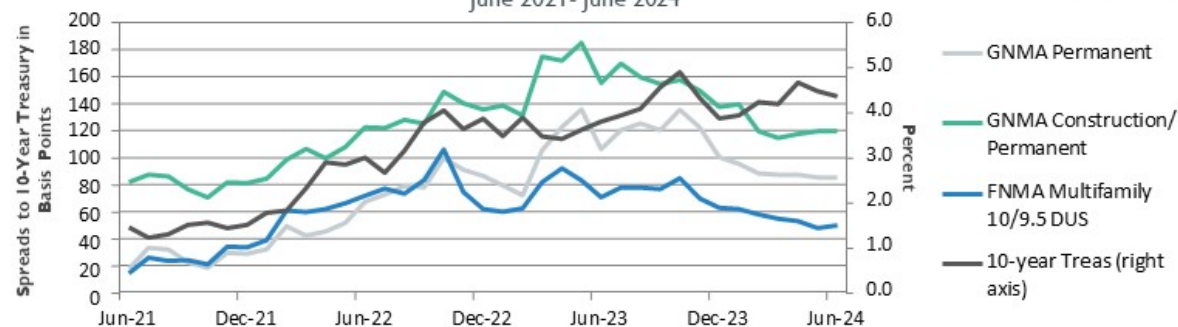
[^] Source: Bloomberg Index Services Limited

MULTIFAMILY FOCUS: GOVT/AGENCY CREDIT WITH ATTRACTIVE SPREADS

- Government-guaranteed, multifamily construction-related loan spreads provide attractive risk-adjusted returns relative to other investment grade sectors. GNMA construction loans offer one of the widest yield spreads to Treasuries among high credit quality fixed income asset classes
- Prepayment protection through yield maintenance/penalty points
- Construction-related GNMA MBS convert to permanent MBS, with the potential for significant price appreciation

Historical Multifamily Spreads

June 2021- June 2024



Investment Comparison

As of June 30, 2024

Investment Type	Effective Duration (Years)	Effective Convexity	Yield (%)	OAS (bps)
10 Year UST	7.90	0.37	4.37	0
GNMA Construction/Permanent	8.09	0.42	5.57	120
GNMA Permanent	7.33	0.34	5.22	89
Structured GNPL (GNR 2024-100 BD)	5.78	0.09	5.48	86
FNMA Multifamily 10/9.5 DUS	7.20	0.33	4.87	54
UMBS 6.00% 30yr MBS	2.54	-0.74	5.91	39
GNMA 6.00% 30yr MBS	2.68	-0.55	5.87	43

Source: HIT and Securities Dealers

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Investors should consider the HIT's investment objectives, risks and expenses carefully before investing. Investors may view the HIT's current prospectus, which contains more complete information, on its website at www.aflcio-hit.com and may obtain a copy from the HIT by calling the Marketing and Investor Relations Department collect at 202-331-8055. Investors should read the current prospectus carefully before investing.

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