AFFORDABLE HOUSING FINANCE

Pop Quiz With Richard Burns

The head of The NHP Foundation discusses what legislative changes he would like to see.

By Donna Kimura

Richard Burns is president and CEO of The NHP Foundation, a nonprofit housing developer and owner that has 43 properties, including 7,555 units, in 15 states and the District of Columbia. Headquartered in New York City with offices in Washington, D.C., and Chicago, NHPF also provides robust resident services to nearly 18,000 residents.

Burns reveals what the organization has in store this year and the legislative changes he would like to see.

What got you involved in affordable housing?

I spent most of my career investing institutional capital in large commercial and multifamily real estate. In the early 1980s, I went on the board of Project Hope, a wonderful nonprofit based in Boston that operates a shelter for homeless women and children. They change these women's lives, raising them out of poverty, giving them adult education, child care and preschool for their kids, job training that turns into good jobs, and ultimately place them in affordable housing. They give them back their dignity and an optimistic future and work to improve the broader Dorchester neighborhood where they are located. That experience has really formed the model for my role at The NHP Foundation.

Later on, I became a partner at a tax credit syndicator and started an institutional business in value-added apartment investments, actually workforce housing. While there, I was able to learn a great deal about the way that the various financing programs come together for the preservation and new construction of affordable housing. When the company was sold, I went on to other institutional investment platforms, but I had always been interested in affordable housing. When the board recruited me for my current role in November of 2009, I jumped at the opportunity.

What is The NHP Foundation working on this year?

Three things: First, we are adapting to the upheaval in our business resulting from the impending tax reform and escalating interest rates. Traditional investors in tax credits are holding back until they can assess the impact on tax credit pricing that will result from a drop in the corporate tax rate. By necessity, organizations like ours create a backlog of deals that we acquire to be preserved with the low-income housing tax credit (LIHTC). These deals are on hold until Congress passes tax reform and hopefully makes some accommodation to maintain credit pricing. The real losers during this period of uncertainty are the residents of these properties who deserve clean, safe affordable housing.

Second, we are working on our corporate culture. In 2015, our senior management team went through a leadership training program that was extremely well received. Motivated by the old saying “culture beats strategy every time,” in 2016 we hired the same coach to help us assess and improve our corporate culture. That program has carried over into this year and is having a very positive impact, not only with management but also with a much broader group of employees we have recently included in the program.

Third, we continue to ramp up our work on “greening” the portfolio. All of our preservation work and new construction is done to the Enterprise Green Communities building standards. In terms of our existing portfolio, we are instituting energy savings wherever possible, with a big emphasis on water conservation. For the first 25% of our portfolio, over the past two years, we have been able to save approximately 108 million gallons of water.

What will the organization do better this year?

Every year, our resident services affiliate, Operation Pathways, continues to grow and improve its programs. We feel that improving the lives of our residents is a vital confirmation of our mission. We have a strong belief that affordable housing should provide more than just a roof over people’s heads. As part of our commitment to resident services, we benchmark the results of our various programs. The fact that the majority of our programs are proprietary gives us direct access to the data. We measure results for two reasons: a) We want to be sure the programs are having positive results for the residents, and b) we want the funders of our programs to see that their money is having the desired impact. The measurable results of our programs are quite gratifying.

As we do every year, we will be improving our internal processes and procedures. In 2017, we will be rolling out a much-improved system that integrates employee times, allocated costs, and accounting to improve efficiency and effectiveness.

What about affordable housing connects with you?

At the end of the day it’s all about the residents and the impact you make on their lives. We recently commenced a major preservation rehab in Houston. The large property was sitting in a neighborhood where there had been $35 million of public and private investment, but this property was holding the neighborhood back—deteriorating rapidly and crime ridden. The day we bought it we went in with a comprehensive program to eliminate the crime.

We evicted the bad tenants; brought in police patrols; installed security cameras; repaired and reinforced the fencing; limited and secured the entry gates. In addition, we established an array of resident services. Within a month, crime at the property was greatly reduced, and within two months it was down to almost zero.

On a recent visit to the property, several residents thanked me for making the property safe. One woman said for the first time she can let her kids out to play without worrying about them. Soon the residents will have totally rehabbed units with new kitchens and baths, some for the first time in their lives. They are thrilled at the prospect. Seeing the positive effect our actions have on the lives of our residents is what gets me excited and connects me to what we do.

What legislative changes would you make to improve affordable housing?

Sadly, from a strictly real estate perspective, in all my years working in real estate, I’ve never seen supply /demand fundamentals like they are now for affordable housing. Over the next

decade, a projected 400,000 new renter households will enter the rental housing market each year—many will be low income.
However, the industry develops significantly less than that many units each year, and the majority are geared to higher-income renters. This means the gap between supply and demand will only worsen. An unprecedented 11 million renter households—more than one in four of all renters in the United States—spend more than half of their monthly income on rent. With that cost burden, there is very little left over for other necessities, such as food, health care, education, and transportation to employment.

The most successful affordable housing production tool has been the LIHTC program. Since 1986, the housing credit has financed nearly 2.8 million affordable apartments for 6.5 million low-income households. I'd like to see Congress do the following:

· Preserve the 9% and 4% LIHTC in the tax code;
· Preserve multifamily tax-exempt private-activity bonds;
· Retain the 27.5% depreciation schedule for LIHTC properties;
· Come up with a way to compensate for loss of LIHTC equity if the corporate tax rate is reduced; and
· Retain the Department of Housing and Urban Development programs that help finance affordable properties.

What is the last book you read?
The Well-Tempered City: What Modern Science, Ancient Civilizations, and Human Nature Teach Us About the Future of Urban Life by Jonathan F.P. Rose. I found the book to be well-written and thoughtful, and it gave me a new perspective on how cities were formed and the elements necessary to make them an effective and livable place for their residents.