MULTI-HOUSING NEWS

NHP's 2017 Affordable Housing Investment Strategies

CEO Richard Burns explores industry trends and what investors should be on the lookout for in the coming year.

by Keith Loria | Oct 04, 2017

Since joining the NHP Foundation (NHPF) as trustee, president and chief executive officer eight years ago, Richard Burns has overseen more than $226 million in acquisitions of 28 properties representing over 8,000 units.

While at NHPF, Burns has spearheaded the efforts to secure $483 million in development funding using the Low-Income Housing Tax Credit (LIHTC). He also created a $50 million predevelopment/acquisition fund, and underwrote the funding for eight affordable housing communities, representing 1,320 units.

Burns recently spoke with MHN about issues in the affordable housing space.

Tell me a little about your focus and the areas you serve.

Burns: Our focus is to provide safe, clean, affordable housing for low- to moderate-income families and seniors but at the same time give the residents more than just a roof over their heads. That is why we financially support our very robust array of resident services programs to improve the lives of our tenants. We see our mission as housing people in attractive, amenity-rich units while doing everything we can to improve their lives.

As we head into the fall, what have you seen so far in 2017 when it comes to multifamily investment opportunities in your area?

Burns: Since we are active in 15 states and the District of Columbia, it can vary from state to state. RAD, the program from HUD to preserve public housing, is an opportunity in many states. We also have been successful working with other not-for-profits, housing agencies and faith-based organizations that don't have the expertise and/or balance sheet to preserve or develop their assets. A perfect example is our recent partnership with a faith-based organization in Chicago that owned land suitable for the development of affordable housing, but lacked the skill or financial statement to make it happen. We have completed the first phase and are about to start phase II. And wherever possible, we try to leverage our not-for-profit status in ways such as real estate tax exemptions, separate 9 percent allocations, etc.

What do you see as the major trends in your sector? What is on your radar?

Burns: The trends we see are in mixed use and workforce housing—areas getting a lot of developer attention this year. We'd like to see a modest repricing of properties reflecting the changing cost of capital and LIHTC pricing. Much of what will happen will depend on the effects of tax reform and interest rates in the coming months.

What was your strategy going into 2017, and how is it playing out as we enter the fall season?

Burns: We entered 2017 with a strategy to work with cities and their housing agencies to determine their greatest affordable housing needs which is why we purchased three single-room occupancy properties in Chicago and two development sites in Washington, D.C. We also planned to be involved with more mixed-use, mixed-income properties and have added a couple of each. In a couple of cases we have acquired properties with ground floor retail and two mixed-income properties that include market rate tenants. And finally, we have broadened our outreach to faith-based organizations who need a development partner. We have successfully done several of these.

Looking ahead to the next six months, what are some things that you are keeping an eye on?

Burns: We are very concerned about what Congress does in terms of tax reform, which is part of our rationale for hosting a symposium and dinner in D.C. on Oct. 17. We are honoring Senators Cantwell and Hatch, bipartisan co-sponsors of a major bill to strengthen and expand the Low Income Housing Tax Credit program. At that meeting we will be releasing a study we have researched and written together with the University of Virginia which sets forth a creative new way to finance affordable housing. We are also watching the Fed to see if they decide to raise interest rates again and whether or not pricing improves for affordable multifamily acquisitions. I think we can anticipate continued uncertainty for the next six months.