

AFFORDABLE HOUSING

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SPECIAL FOCUS » THE AHF 50

Staying Power

Developers confront tough conditions

BY DONNA KIMURA

This year's Top 50 developers started 23,428 affordable housing units in 2008. Each one has some extra sweat and maybe a tear or two on them.

Developers put these deals in play in a brutal year marked by melting equity prices, tightening underwriting, and

growing uncertainty in the economy and the real estate market.

The recently signed American Recovery and Reinvestment Act features several provisions aimed at jump-starting stalled low-income housing tax credit (LIHTC) projects and reviving the anemic tax credit market. Nearly all of the

units cited in the Top 50 list are financed with LIHTCs.

Other developers are also surprisingly optimistic. The Top 50 firms estimate that they will start 26,131 affordable housing units this year, which, if realized, would be a nearly 12 percent jump from 2008. They also hope to complete 23,439 units, a 10 percent increase from what they completed last year.

The only list of its kind, the AHF 50 shows how many units are under development by the leading national and regional developers and provides valuable benchmarks for the industry. The ranking is based on the number of units started in 2008. Separate lists reveal the Top 50 owners and the Top 10 firms completing acquisitions.

The results are compiled from a voluntary survey, so not all developers participate. This year, 94 firms took part. All developers are encouraged to take part in next year's survey to help generate the most comprehensive list possible.

TOP 50 AFFORDABLE HOUSING DEVELOPERS

| RANK (2008) | COMPANY/CONTACT | ADDRESS/PHONE/WEB | 2008 AFFORDABLE DEALS STARTS / COMPLETIONS | REGION(S) | ORG. TYPE |
|-------------|--|--|--|-----------|------------|
| 1 (1) | THE NRP GROUP, LLC Alan F. Scott, J. David Heller, and T. Richard Bailey, principals | 5309 Transportation Blvd.; Cleveland, OH 44125 (216) 475-8900 • www.nrpgroup.com »For the third consecutive year, The NRP Group tops the list with the most affordable housing units started in 2008. The firm started 16 developments. | 1,437 / 1,412 | National | For-profit |
| 2 (2) | THE MICHAELS DEVELOPMENT CO. Robert J. Greer, president | 3 E. Stow Road; P.O. Box 994; Marlton, NJ 08053 (856) 596-3008 • www.michaelsdevelopmentcompany.com »Michaels Development had another big year in 2008, increasing its affordable housing portfolio to 43,325 units at the start of this year. | 1,280 / 1,562 | National | For-profit |
| 3 (40) | NATIONAL COMMUNITY RENAISSANCE Orlando Cabrera, CEO | 9065 Haven Ave., Suite 100; Rancho Cucamonga, CA 91730 (909) 483-2444 • www.nationalcore.org »National CORE started 16 developments in 2008 and wants to expand its national footprint and its geographic range within California this year. | 1,128 / 572 | National | Nonprofit |

TOP 50 AFFORDABLE HOUSING OWNERS

| RANK (2008) | COMPANY/CONTACT | ADDRESS/PHONE/WEB | AFFORDABLE UNITS OWNED | REGION(S) | ORG. TYPE |
|-------------|---|--|------------------------|-----------|-----------|
| 15 (15) | NATIONAL COMMUNITY RENAISSANCE Orlando Cabrera, CEO | 9065 Haven Ave., Suite 100; Rancho Cucamonga, CA 91730 (909) 483-2444 • www.nationalcore.org »National CORE is a full-scale affordable housing developer, with more than 78 percent of its portfolio reserved for households earning less than 60 percent of the area median income (AMI). | 9,359 | National | Nonprofit |

Who's No. 1?

For the third consecutive year, The NRP Group, Inc., was the nation's most active affordable housing developer, starting 16 projects with 1,437 units and completing another 15 projects with 1,412 units in 2008.

The Cleveland-based firm hopes to start another 15 developments this year. "The biggest challenge in the last 12 months has been finding equity and debt to finance the pipeline of projects in development," says Alan Scott, principal. "We have succeeded in funding the bulk of our deals and have moved mountains in the process, including finding additional soft dollars and incentives to overcome more rigorous terms."

The firm has made several moves during this economic downturn, including shifting its course "to include more affordable projects and less conventional, where equity and acceptable loan terms are nearly impossible to find," Scott says.

The Top 10 was comprised of eight for-profit companies and two national nonprofit organizations, National Community Renaissance (CORE) at No. 3 and Volunteers of America at No. 5. Overall, 35 for-profit companies, 13 non-

profit developers, and two public housing authorities round out this year's list.

The average number of units started by the Top 50 firms last year is 469, and the average number of completions is 428.

This year's list of largest owners features 33 for-profit firms and 18 nonprofits. Fifty-one firms make up the list because two tied for the No. 42 spot.

Together, the group owns an impressive 419,136 affordable units across the country.

How developers are responding

The tough conditions are forcing affordable housing developers to take new action.

Looking at the nearly 100 surveys submitted, 22 developers reported cutting expenses or working harder to collect rent and other revenue. Fifteen developers said they are nurturing the relationships they have with their financing partners. Eleven have instituted hiring or compensation freezes. Developers also said they are taking a harder look at proposed projects, heightening their due diligence, and emphasizing asset management.

These responses were to an open-ended question about what they are doing to cope with the economic downturn.

A few developers noted that they are seeing new opportunities to acquire projects.

The decline in LIHTC equity has been the biggest industry issue during the past year. Developers received about \$0.88 per dollar of tax credit on average in 2008. They project prices to be significantly lower this year, estimating that the same type of deals will fetch only \$0.75 in mid-2009.

When asked how the shortage in tax credit equity is affecting their business, 28 of the 94 developers submitting surveys said they have reduced or slowed their project pipelines or plan to do so in the future.

Developers also said they are focusing on the strongest markets and the deals that will appeal to investors.

Seeking other funding sources was the third most popular response to the open-ended question. Developers also said they are value-engineering their developments to meet today's pricing realities. A few have altered a project's design to make the deal pencil out. ■



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