

CRA Investment

Affordable Housing **Finance**

**JER Hudson
Housing &
The Community
Builders
Target
Nonprofits**



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Community Builders, JER Hudson Launch Fund Tailored for Nonprofit Sponsors

New York, N.Y. - Nonprofit developers looking for a source of tax credit equity investment tailored to their needs might benefit from a new joint venture between a Boston nonprofit developer and the syndication subsidiary of a major real estate investment firm based here.

The Community Revitalization Fund was launched this summer as a joint venture between JER Hudson Housing Capital LLC and The Community Builders, Inc. The venture plans initially to raise \$120 million in equity from socially-oriented corporations and financial institutions seeking an attractive return as well as from investments that qualify under the Community Reinvestment Act (CRA).

BankBoston Development Company has committed to invest \$20 million in the fund.

"The combined expertise of JER Hudson and The Community Builders offers a proven track record for banks seeking secure and predictable CRA investments," said John Zeiler, Chairman of JER Hudson Housing. "The unique joint venture offers investors a housing tax credit investment that combines the development and property management expertise of The Community Builders and the financial structure and exhaustive due diligence that we apply to all our corporate funds."

The fund will invest in properties developed by The Community Builders (TCB) and by third-party, nonprofit sponsors. It has already specified assets for acquisition in Massachusetts, Rhode Island, New York, New Jersey and Pennsylvania. Additional acquisitions are targeted in Eastern Seaboard states from Maine to Florida.

The fund will provide nonprofit sponsors of affordable housing with a ready source of capital and the technical assistance to facilitate the development of sound projects.

A large proportion of the initial capital raised will go to finance a series of projects CB is developing. These are part of its new strategy to serve as general partner in large-scale development projects, including public housing redevelopments using HOPE VI funds, said Patrick E. Clancy, TCB's chief executive officer.

Until a few years ago, TCB functioned primarily as a development advisor to local community development corporations. Now, it is acting as developer on

projects that are large enough to support "a place-based service strategy that you can't undertake for 30 unity," Clancy said. The organization has some 30 projects in various states of development, including pending tax credit applications, he added. (For more details on the group's plans, see separate story on page 46.)

The joint venture with JER Hudson gives TCB access to the steady supply of capital it needs for a series of projects with up to 500 units each, Clancy said. The advantages of the relationship include consistent due diligence and documentation, which will save time and money, he added. The partnership agreements also include features tailored to nonprofits' needs, including provisions for operating projects as affordable housing in perpetuity, Clancy explained.

The fund is offering investors a higher yield than normal corporate equity funds, partly because it does not project any return from residual value.

TCB will help the venture to work with other nonprofits that may not meet normally required levels of creditworthiness and management know-how. The group also has the experience needed to structure development guarantees offered by nonprofits in ways that won't jeopardize their nonprofit status. (Some nonprofit sponsors have faced scrutiny from the Internal Revenue Service for providing guarantees that are viewed as unduly benefiting for-profit firms.)

The first series in the investment fund is for \$75 million and should be fully committed by the fall, the Revitalization Fund announced. It will target acquisitions in the East, with TCB's projects expected to consume half the total funding. The second series will comprise projects throughout the country, dovetailing with TCB's expansion plans.

The first asset to be acquired will be the Amy Lowell House apartment complex in Boston. Amy Lowell, which was developed in the late 1960s as seniors housing, is part of the Charles River redevelopment site, one of the most successful planned neighborhoods in the country. As part of the acquisition by the Fund, TCB will modernize the apartments, mechanical systems and public areas.

Another early acquisition is the YMCA in Jersey City, NJ.

"We have committed \$20 million to the Community Revitalization Fund based on JER Hudson's strong track record in structuring affordable housing funds coupled with the quality of developments and the importance of TCB's social mission," said Peter Sargent, director of tax credit investments for BankBoston Development Company, LLC. "Investment in low-income housing tax credits has been the cornerstone of our initiatives for community economic development. Affordable housing offers an extremely attractive long-term, after-tax yield that is both predictable and highly secure."

JER Hudson Housing Capital describes itself as the first firm to bring the resources of a half-billion dollar institutional real estate fund (JER Real Estate Partners LP) to the tax credit business. The firm is owned by J.E. Robert Companies, Z Real Estate Partners.

TCB has participated in the development of more than 14,000 units of affordable housing since 1964. It manages more than 5,500 units at 60 locations, and it has a staff of 350.