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2017 TOP SYNDICATORS

10 Largest U.S. Apartment Tax Credit Syndicators as of January 1, 2017

Syndicator Rank 2017	Company Name	Units Syndicated 2017	Units Syndicated 2016	Corporate Officer	HQ City	HQ State
1	Alden Torch Financial	183,456	191,759	Alan Fair	Denver	CO
2	PNC Real Estate	136,152	134,364	Todd Crow	Portland	OR
3	Boston Capital	121,875	129,936	Jack Manning	Boston	MA
4	Boston Financial Investment Management, LP	108,717	127,117	Kenneth Cutillo	Boston	MA
5	The Richman Group Affordable Housing Corporation	106,143	104,008	Richard Paul Richman	Greenwich	CT
6	Enterprise Community Asset Management, Inc.	105,407	103,194	Charles R. Werhane	Columbia	MD
7	National Equity Fund, Inc.	101,583	96,303	Joseph Hagan	Chicago	IL
8	AIG Affordable Housing Partners	99,947	102,592	Douglas S. Tymins	Los Angeles	CA
9	Raymond James Tax Credit Funds, Inc.	96,182	67,751	Steve Kropf	St. Petersburg	FL
10	WNC & Associates, Inc.	50,924	50,800	Wilfred N. Cooper, Jr.	Irvine	CA

Photos Courtesy of Alden Torch Financial

Uncertain Times

LIHTC syndicators adjust pricing but remain optimistic as tax changes loom.

> By **Chris Wood**

Last year started out great for Alden Torch Financial, the nation's largest low-income housing tax credit (LIHTC) syndicator. By May, the company had closed on a $117 million, fully-specified multi-investor fund and was gearing up to close out another $100 million fund by year's end.

Then the election happened. Investors, eyeing the likelihood of tax reform under a Trump administration, pulled back and LIHTC credit prices plummeted, stalling the closing of Alden Torch's fund raise to March of 2017 and challenging its typical annual deployment of approximately $300 million.

"We're very happy with what we were able to accomplish, especially with the sharp drop in pricing at the end of year," says Alden Torch Financial Managing Director Jeffrey Weiss. "With that, 2017 has become an exercise in how we structure deals."

With both the outlook for and side effects of tax reform efforts seeming uncertain, syndicators are focused on finding ways to hedge price volatility and balance the need for Community Reinvestment Act (CRA) allocations to make deals work.

A Rate Rollercoaster

"A lot of syndicators and investors are underwriting to a lower tax rate," explains Weiss. "There are investors on the sidelines waiting for the dust to settle, and expectations vary from tax reform happening by the end of August to it may not even happen at all. Everyone is searching for good, true guidance."

Raoul Moore, senior vice president of syndication for Columbia, Md.-based Enterprise Community Asset Management, Inc., the sixth-largest LIHTC syndicator, would agree. While investors haven't abandoned the market, their approaches to dealing with pricing uncertainty have been diverse, he says.

"It's been all over the board," says Moore. "From underwriting at a 25 percent tax rate with built-in downward and upward adjusters to pegging a 20 percent credit with just an upward adjustor and taking the chance on a 15 percent rate, where they'll take the hit versus a 25 percent rate where they'll get the benefit."

Photos Courtesy of Alden Torch Financial

Amenity Light

One of the immediate effects of LIHTC price drops has been a siphoning of excess basis dollars commonly available to 2016 projects where pricing was $0.10 to $0.14 higher. With that equity no longer available, developers have been forced to take a harder look at community amenities just when market-rate perks like clubhouses, pools and gaming rooms were becoming standard.

"Those properties are suddenly harder to do today, and developers are now focusing solely on core amenities because they have to, even as they look to add features to ensure the long-term marketability of the asset," Weiss says.

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>
> – Jeffrey Weiss, Alden Torch Financial

However, Will Cooper, president and CEO of WNC & Associates, Inc., the tenth largest syndicator, says there is a significant need for social service programs and sustainability to be incorporated into affordable housing before projects add on amenities commonly found in market-rate properties to impress residents. In fact, identifying existing affordable housing stock where WNC can make value-added energy efficiency improvements is high on the syndicator's to-do list for 2017.

"The greatest amenity we can provide in our program is lower rents, and we shouldn't forget that," Cooper says. "I generally don't like to see the cost of the buildings going up just to find places to put the money, and we need to continue to be careful of that."

Reform Efforts

But bringing more certainty back to the market means having more clarity on the details of tax reform.

The current push for tax reform reflects the widely-held belief that America's current tax code is an impediment to growth. The code is riddled with exemptions and the statutory rate is too high. However, reductions in the corporate rate could have serious implications for the LIHTC program.

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>
> – Will Cooper, WNC & Associates

So far, only the House Republicans have offered an initial outline of their approach, called the House Blueprint on Tax Reform. However, the Blueprint is only a starting point for the tax reform debate. Both the Senate and White House have yet to unveil their own approaches to tax reform, which will shift the debate.

As the proposals evolve, the industry looks to ensure that tax reform safeguards the viability of the LIHTC program. Downsizing the program would exacerbate the shortage of affordable rental units.

But for now, many executives are just taking things one day and one deal at a time.

"We're keeping in close communication with lobbyists in Washington, and it's still not even a 50/50 shot that reform will happen," says Cooper. "But the marketplace has functioned well to absorb that risk, and that is where we are at. 2016 went above and beyond our expectations and we're optimistic that investors are still confident we've appropriately hedged reform risk. We hope not to see any hesitancy at all." ■