

# THE WALL STREET JOURNAL.

March 1, 2017

## GREATER NEW YORK

### Real Estate Firm Is Going Big Into Affordable Homes

By LAURA KUSISTO

New York developer Jonathan Rose Cos. is set to purchase a \$500 million portfolio of affordable-housing properties from Forest City Realty Trust, in a transaction that would double the size of Jonathan Rose's portfolio and help turn it into a more significant player in the industry.

The 48 affordable-housing communities the company is purchasing in a deal expected to close Wednesday are sprinkled throughout seven states from Ohio to Kentucky, with a total of nearly 8,500 units.

By the end of 2017, Jonathan Rose is set to own more than 15,000 units, up from 6,500 before the Forest City acquisition. Many of the buildings are more than 30 years old and made from prefabricated concrete in need of an upgrade.

The company plans to do \$1 million to \$15 million of improvements per property, which could include energy-efficient lighting, exercise centers and medical-screening rooms, as well as renovations to individual apartment units.

The developer aims to go well beyond the typical affordable-housing renovations, which often are limited to sprucing up kitchens and bathrooms and fixing up lobbies.

Jonathan F.P. Rose, president of the company, said the additional improvements bring financial benefits in the form of local property-tax abatements as well as access to tax-exempt bonds and low-income housing tax credits. The moves also help the company buy developments at a lower cost from long-term owners who want the buildings to remain a positive part of the community.

"I'm not the only one who has figured out that affordable housing is a great investment and frankly there is a very competitive market. The...work that

we're doing gives us a bidding advantage," Mr. Rose said.

For Forest City, the deal is part of an effort to scale down its portfolio and focus on market-rate apartments, as well as office space in major urban markets. The agreement includes \$65 million in acquisition costs and the assumption of debt on the assets.

Affordable-housing observers said Mr. Rose's approach to making properties more energy efficient and providing an array of services to residents is distinct because many companies and nonprofits don't have the scale or the resources to go beyond offering the bare minimum of repairs and services.

**Jonathan Rose Cos. is set to purchase portfolio from Forest City Realty Trust.**

"What Jonathan is trying to do is something that has not been done by any other developers. Other developers provide lip service," said Ghebre Selassie Mehreteab, a co-founder and former chief executive of the National Housing Partnership Foundation, a large nonprofit affordable-housing owner.

The deal comes at a time of uncertainty for the affordable-housing industry. Low-income housing tax credits, which help fund much of the new development and renovations of existing properties, have lost about 20% of their value, according to industry experts.

Mr. Rose said about 10% to 20% of the cost of the renovations will be financed with tax credits. "Absolutely the decline in value of the tax credits means that we will have to reduce the amount of transformation to those projects," he said.