



West Coast Affordable-Housing Specialist Eyes Eastward Expansion

Commercial Real Estate Direct Staff Report

Community Preservation Partners, an owner/operator that specializes in affordable apartment properties that are funded with tax credits, is looking to expand its operation to the Mid-Atlantic and Northeast regions.

The Irvine, Calif., company, a unit of WNC & Associates, which invests in affordable housing, currently operates in five states west of Texas: Arizona, California, Nevada, New Mexico and most recently, Oregon, and owns more than 4,500 units. It funds its investments through low-income housing tax credits and now is looking to broaden its reach to the East Coast and will hire staff to do so.

Its thinking is that by the Spring it will have an office that will help it pursue opportunities in states such as Virginia, Maryland and New York.

The company, commonly referred to as CPP, was launched in 2004 to help preserve low-income housing. It's a unit of affordable-housing investor WNC & Associates. Since its inception, CPP has acquired, developed and refurbished some 4,500 apartment units.

Its aim is to buy eight to 10 properties a year. It has some 1,000 units in its acquisition pipeline and is in the process of completing a \$30 million deal involving a 280-unit property in Cathedral City, Calif., and a \$45 million-plus deal for a 180-unit property in Anaheim, Calif.

CPP typically pursues properties that might have been constructed in the 1960s or 1970s and often have been operated under a federal or state subsidy program. It often will pursue properties whose subsidies might be nearing their expiration, or are at risk of being converted to market rate, in order to preserve their affordable-housing status.

Because of the age of the properties it buys, it typically puts them through substantial renovation programs.

For instance, it recently bought the Plaza Townhomes, a 68-unit townhome property at 5802 North Michigan Ave. in Portland, Ore., its first purchase in the state. The property was acquired from Home Forward, the former Housing Authority of Portland.

CPP has earmarked some \$4 million to renovate the property, including replacing exterior siding, doors, plumbing and heating and cooling systems. Its total investment in the property, including renovation costs was \$16.5 million.

The property's tenants were receiving rent subsidies through the U.S. Department of Housing and Urban Development's Section 8 program. CPP's purchase of the property included the assumption of the existing subsidy contract with HUD. It's extended the contract for another 30 years.

The federal Tax Reform Act of 1986 established the low-income housing tax credit program, through which investors can claim tax credits on their tax filings by investing in funds that hold the tax credits. CPP gets an allocation of the

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tax credits and comingles them with others in funds that are then capitalized by banks and insurance companies. Those investors can use their fund interests to help meet requirements under the Community Reinvestment Act, a law passed in 1977 designed to encourage deposit-taking institutions to invest in low- and moderate-income housing in their areas.

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