

# All For the Right Reasons

**According to Tim Fournier, this company excels at developing, owning, and managing affordable housing communities because of its business model and commitment to serving people in need.**

**T**he problems in our economy and in the housing market certainly did nothing to help those in need of affordable housing. Fortunately, Conifer Realty is one company making a difference for thousands of families, despite the economy.

Since its founding in 1975, Conifer has developed more than 200 properties, which includes a total of about 15,000 multifamily units. It was a private company for 20 years, until it merged operations with Home Properties, a public REIT in Rochester, in 1995. It was then that Dick Crossed, chairman; Tim Fournier, president and CEO; and Terry Butwid, executive VP, started an affordable housing development division and developed about 5,000 units over the course of the following five years. In December of 2000, Crossed, Fournier, and Butwid led a buyout of the affordable housing development division.

"We took 42 people with us and started with no apartment units, just a development pipeline," said Fournier. "Today we have a private company with offices in Rochester, NY; Mt. Laurel, NJ; Erie, Pa; and Baltimore, Md."

The company now employs 550 people and has 10,500 units it owns and manages in about 170 independent properties. An additional 600 units are currently under construction. Conifer also has its own construction company, Conifer-LeChase Construction, a joint venture with LeChase Construction, which has been operating since 1944.

Conifer-LeChase is responsible for all the construction of Conifer's affordable housing multifamily units in its four-state region. Conifer's development division aims to develop between six and eight properties per year on average. That represents a combination of new builds and acquisition of existing properties that the company then rehabilitates and preserves as affordable housing. Fournier estimates the company's development portfolio consists of about 70% new builds and 30% preservation properties.

## Doing it all

Conifer's mission is simple to state yet difficult to achieve. Its goal is to construct and manage quality affordable





housing communities. The challenge in the affordable housing industry certainly isn't occupancy or demand. In today's economy, the challenges revolve more around collections, as more tenants find it difficult to meet their financial responsibilities, and the decrease in pricing and investor interest for the low-income housing tax credit program.

"Sales and syndication of the tax credit is looked upon to fund anywhere from 40% to 65% of the cost of a development. Just 18 months ago, it was not unheard of to get 95 cents on the dollar for the tax credit, but today it hovers in the 60 cents to 70 cents range," Fournier said, noting other major players in the space were Washington Mutual and Wachovia, which no longer exist. "A big gap has been created by the decrease in what an investor will pay, and the largest investors nationally were Fannie Mae and Freddie Mac, which are completely out of the business now."

One driver for investors in low-income housing tax credits is the Community Reinvestment Act requirements for banks. But in a time when corporations aren't making money, they don't have a need to shelter taxable income. This reality has affected pricing. But one factor in Conifer's favor is the fact that the investment community places significance on the strength of the developer in terms of financial capacity, overall capabilities, and business model. Conifer's business model is defined in no uncertain terms by its slogan: "What we develop, we construct; what we construct, we own; what we own, we manage." Simply put, Conifer does it all.

"We look at that as the 360-degree asset we bring to the table. We are looking to own for the long term, and we are managing the properties so we build them very well. We're not there to just take a development fee and run away," said Fournier. "We are in it in for the long haul, and when decisions about quality need to be made, we will give up some of our development fee for better quality and efficiency in the product."

Although Conifer's preferred method is new builds, it has the skill set needed to implement successful rehabilitation and preservation projects on existing properties. The reality is that existing housing communities are already substantially occupied. This means the company has to be sensitive about working with existing residents to make the process as smooth as possible for current residents, many of whom may not be used to living in a Conifer affordable housing property.

According to Fournier, Conifer goes to great lengths to ensure its properties don't become just another neglected project.

"Our goal is to change the lives of existing residents in a positive way. Everyone is welcome to stay, but these are the rules residents must follow to be part of our neighborhood," he said. "That has become a successful blueprint for us in some major urban settings."

Conifer is also taking a proactive approach toward improving the energy efficiency of its properties. In fact, Conifer qualified for the 2009 Energy Star for Homes Leadership in Housing Award after developing more than 263 Energy Star qualified apartments in 2008. The relationship with LeChase is particularly beneficial in this area. As LeChase does more than \$500 million in business on its own, it provides resources and expertise to Conifer on new technologies and products that can have an impact on quality and efficiency.

### Spreading the message

Fournier said he is satisfied with Conifer's outlook in the near term, although he added the company would consider looking at new markets in states adjacent to its current footprint, like Delaware or Connecticut. But the company wouldn't push out into additional markets without the capacity to effectively own and manage properties because a strong property management presence is a cornerstone of its business model.

In the meantime, it will work through advocacy boards like New York State Association for Affordable Housing (NYSAAFH) to push for increased housing programs and subsidies and serve as a voice for the people who rely on affordable housing. As Conifer works to get access to tax credit equity and permanent debt while keeping an eye on the specter of inflation, Fournier knows the company can lean on its management arm to get through slow development periods. The bigger issue, however, is the reality that the need for affordable housing isn't going away any time soon.

"The need for safe, decent affordable housing always outstrips supply. Inflation and access to permanent debt may be problems, but there will always be programs that will help offset that," Fournier said. "We excel with our business model and there aren't many issues or challenges we can't solve within our four walls." ★

—Eric Slack



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