

Housing Partnership Equity Trust Launches With \$100 Million In Funding For Affordable Multifamily Housing

First Transaction Enables Mercy Housing Lakefront To Acquire And Rehab A 128-Unit Property In Aurora, Illinois

Citi, Morgan Stanley, Prudential Financial, Inc., John D. And Catherine T. MacArthur Foundation,
And Ford Foundation Provide Initial Capital Investment

Washington, D.C. – April 29, 2013 – In a pioneering new approach to acquiring safe, decent and affordable housing, the newly formed Housing Partnership Equity Trust today announced it has raised \$100 million from Citi, Morgan Stanley, Prudential Financial, Inc., the John D. and Catherine T. MacArthur Foundation, and the Ford Foundation, and has begun investing in multifamily properties in partnership with 12 high-performing nonprofit housing providers across the country.

The Housing Partnership Equity Trust (HPET) was formed as a social-purpose real estate investment trust, or REIT, sponsored and operated by the Housing Partnership Network, a business collaborative of the nation's leading housing and community development nonprofits. HPET will provide a ready source of long-term, low-cost capital, enabling these 12 mission-driven nonprofits to quickly and efficiently acquire apartment buildings that provide quality homes for families, seniors and others with modest incomes.

In its first transaction, which closes today, HPET funds will enable Mercy Housing Lakefront to acquire and rehabilitate a 128-unit property in Aurora, Illinois, thus preserving critical affordable housing without dependence on Low-Income Housing Tax Credits or other public subsidies.

"The Housing Partnership Equity Trust demonstrates a new approach to funding affordable housing—one that will streamline the capital-raising process for acquiring affordable housing units and sharply reduce transaction costs as well as the time it takes to close on a transaction," said Drew Ades, Chief Executive Officer of HPET. "As evidenced by the speed and efficiency with which Mercy Housing Lakefront was able to acquire its new property in Aurora, the savings we create will translate into more affordable rents for the residents, greater financial sustainability for our nonprofit partners, and attractive, stable returns for investors. Over the next several months, we will raise additional funds to further expand our scale and impact."

"Even as the weak economy put downward pressure on the incomes of the working class and working poor, private investors in real estate, seeking double-digit returns, have either raised rents or cut back on capital investments in their properties," said Cynthia A. Parker, Chair of HPET's Board and President and CEO of BRIDGE Housing, which operates affordable properties throughout the West Coast and is one of HPET's 12 nonprofit partners. "Too many affordable properties are being lost due either to gentrification or neglect. By providing a ready source of funds, enabling BRIDGE and similar organizations to acquire properties, HPET is the answer that so many community development organizations have been looking for to address the pressing need to preserve and improve our existing stock of affordable rental housing."

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“HPET represents a fundamental shift in both the way affordable housing is financed, and the way nonprofit real estate operators build their balance sheet and their capacity to expand their mission,” said Ommeed Sathe, Vice President, Social Investments, Community Resources, Prudential Financial, Inc. “We view the creation of HPET as an important initial step in modernizing the financing structure for affordable housing, by aligning incentives through which investors get a steady return, while stabilizing the stock of affordable units.”

“Mercy Housing Lakefront’s acquisition of its new property in Aurora is a perfect example of what HPET was created to do,” said Drew Ades. “The underwriting and return structure of HPET enabled Mercy Housing Lakefront to make a competitive bid, perform a thorough due diligence process, and ultimately close on the transaction in far less time than is typical of a transaction that would be dependent upon Low-Income Housing Tax Credits. By placing this property in the hands of a motivated and mission-driven nonprofit, whose interests in preserving the property is aligned with the tenants who live there, we are able to make an investment with an adequate return, cure significant deferred maintenance, improve energy efficiency, and extend the useful life of the property.”

Typically, multifamily affordable housing transactions depend upon project-specific subsidies and investments from a wide range of tax credit and subsidy programs. Successful nonprofits become highly skilled at assembling resources from governments at the local, state, and federal level, and negotiating project-based financing agreements with multiple private financial institutions and investors. This approach maintains a strong focus on the performance of individual properties but makes it exceedingly difficult to quickly acquire properties, efficiently manage operations, raise capital, fuel growth, and spur innovation.

“HPET provides a unique approach to financing the acquisition of affordable housing,” said Andrew Ditton, Co-Head of Citi Community Capital. “Since properties acquired through HPET generally will not rely on property-level subsidies, the nonprofit operator has the ability to build cash and liquidity through efficient operations, better aligning incentives and allowing nonprofits to increase their capacity, and provide an alternative investment channel to social-impact investors. Citi is proud to be part of this initiative.”

Acquisitions funded by HPET will target properties with access to public transportation and other community amenities. Capital improvements will be made to lower operating costs and utility expenses.

“The Ford Foundation is proud to have helped launch HPET,” said Lisa Davis, Program Officer, Ford Foundation. “We believe that it creates an important new mechanism to increase equitable access to safe, affordable housing, which, together with efficient transportation, and good jobs is fundamental to building prosperous metropolitan areas.”

“Using philanthropic dollars to unlock private capital is a powerful way to creatively achieve impact at a meaningful scale,” said Debra Schwartz, Director of Program-Related Investments at the MacArthur Foundation, in describing the critical role of “program-related investments” by HPET’s two foundation investors. “By design, HPET makes it easy for mainstream investors to put large amounts of capital to work while dramatically improving the ability of leading nonprofits to increase their impact in communities across the nation.”

The 12 nonprofit members of HPET are: AHC Housing, Inc.; BRIDGE Housing Corporation; Chicanos Por La Causa; Community Preservation and Development Corporation; Eden Housing, Inc.; Hispanic Housing Development Corporation; Homes for America, Inc.; LINC Housing Corporation; Mercy Housing; Nevada HAND, Inc.; NHP Foundation; and NHT/Enterprise.

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ABOUT THE HOUSING PARTNERSHIP EQUITY TRUST (HPET)

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ABOUT THE HOUSING PARTNERSHIP NETWORK (HPN)

The Housing Partnership Network is an award-winning business collaborative of 100 of the nation's most successful affordable housing and community development nonprofits. Creating private sector partnerships and enterprises that achieve ambitious social missions, HPN and its members work together to scale innovation and impact, helping millions of people gain access to affordable homes and thriving communities that offer economic opportunity and an enhanced quality of life. In 2013, HPN was selected to receive the 2013 MacArthur Foundation Award for Creative and Effective Institutions, in recognition of its ongoing leadership and innovation in affordable housing.

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