

50 Years of Difference-Makers

Because life makes sense only in retrospect, we're seldom aware in the moment that someone else's action can change our lives forever. Nor will your benefactor know, then or after, just how seminal his or her small action was, and somehow, you've never thanked those who helped you

Our industry is scarcely more than 50 years old. Real estate's orphan child, affordable housing, was adopted as a cause by several hundred people. I'm one of them, who fell into this field by chance, became captivated, then committed, and long since impassioned, by both its difficulty and its public purpose. All of us owe our livelihoods and our successes to mentors, peers, partners and like-minded colleagues who sparked each other, worked with each other, and helped each other learn, innovate and improve – often without knowing the huge impact they were having on each other. Each such life-changing moment is a tiny light – and out of their constellation has emerged an industry that has grown dramatically, professionalized exponentially and evolved morally.

This piece isn't about me, it's about our universe of people who deserve our thanks. Though I can't thank all of mine, here are some:

July 1976: Harry Howell, Boston Financial. A newly minted college graduate hoping to become a sportswriter, I've taken a temporary secretarial job at a place that syndicated affordable housing. After several months of this, I've been asking around for more work. "Could you write a computer program," asks a senior partner, "to project investment economics of doing a workout and forestalling foreclosure?" "Just as long as somebody tells me the rules."

From that came the principle, *Always step up*, leading to my on-the-job education into finance, tax, operations and persuasion, and what would become 14 years at Boston Financial, ten of them as a partner.

Fall, 1978: Art Hessel, Lane & Edson. I'm 25, in an attorney-filled Washington, DC conference room because construction has stopped on a Boston-Financial-syndicated property in Tyson's Corner, where the subcontractors had walked off the job for non-payment. "Are you going to call the next installment now?" demands the general partner. "No," I reply hesitantly, "because there are defaults under our partnership agreement." "And *that's* your position?" While I'm framing an answer, the surety bond issuer's

counsel leans my way and murmurs, "I counted 17." "Yes," I say. "That's our position."

From that came several principles, *Not uniform but personal character defines your real allies, Read the documents carefully and Establish your No.*



David A. Smith

April 1979: Richard N. Thielen, RINET. A perfect storm of adversity had left Church Park, the largest property Boston Financial had ever syndicated up to then, \$3 million in debt on its \$20 million MassHousing loan. I've negotiated a workable transaction that 'only' requires the partners to pay in the remaining 60 percent of their original investment *plus* another 25 percent. Because we needed unanimity, I've been spending hours on the phone. Though most say Yes, some elect to quitclaim their interests for \$1, taking their lumps, and leaving us with interests to resell to new individuals. One candidate's investment manager asks me, "Are you investing your money into this deal?"

From that came the principle, Recommend only what you yourself would do, and the best personal investment I've ever made, and one still paying off big 43 years later.

1983, Chuck Edson: Lane & Edson. I've been coming to Institute for Professional Education (IPED) conferences on workout topics and syndication topics and popping up at open mic to ask questions. After one such the indefatigable Chuck asks me, "Would you a be speaker at our next conference?"

From that came over a hundred conferences, scores of them with IPED and Chuck.

July 14, 1988, San Diego IPED Conference. I'm speaking about the 1987 Emergency Low Income Housing Preservation Act (ELIHPA), in which the government has unilaterally barred Section 236 property owners from exercising their contractual right to pay off their Department of Housing & Urban Development loans and convert to market use. From far back in the room, an owner calls out, "Somebody's got to sue the Federal government!" I turn to Chuck and ask,

"If I raised owner funds to mount Constitutional test case litigation, could you find a lawyer to do this?"

From that came *Thetford v. HUD*, my being picketed by the Mass Tenants Organization three days before Christmas, half a year's analytical and visibility work with legislators leading to a successor law (LIHPRHA) that I had some input into designing, leaving Boston Financial, and starting my own firm, Recap Advisors.

Spring, 1995: Amy Anthony, Preservation of Affordable Housing. With LIHPRHA winding down, Amy and I are arguing the relative merits of Section 8 subsidy tied to the apartments versus portable vouchers. "I don't want property-based," she says to my astonishment. "I don't want the appropriations risk. With vouchers they're spread out over the year and if my rents are at market, I'm safe."

From that came a slow *Aha!* moment that led inexorably to....

Fall, 1995, Cheh Kim and Jonathan Kamarck, Senate staff. Having developed a reputation for honest programmatic analysis, I've been invited before the Senate Housing Subcommittee to testify about mark-to-market (M2M), a cost-saving and portfolio-restructuring concept

floating around the newly Republican Congress. The final panelist at the hearing, I've just stated that, although saving \$1 billion a year in Section 8 subsidy, M2M would put 4,000 properties into default, cost the FHA insurance fund \$8 billion, and *maybe* recover 40¢ on the dollar.

The hearing over, Cheh and Jonathan take me aside and asked, "Would you help us think through how to design a program to make this work?"

From that came half a dozen pro-bono trips to Washington, DC, drawing decision-tree flowcharts in Dirksen 538 with other affordable housing experts, the Mark-to-Market Demonstration program that was a wildly successful proof-of-concept pilot, and eventually the permanent Multifamily Affordable Housing Reform and Accountability (MAHRA) Act.

November 2009, Marty Bell, NH&RA. "I like the way you write. Would you do a monthly column for us? What would you call it?" I thought only an instant and said....

I end with an appeal to readers: Who changed your life in affordable housing? When and how? Email me and I can compile them into a future *Guru* column. **TCA**

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