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Does the 'American Dream' include renting?

November 26th, 2011, 7:16 am · [View all 5 comments](#) · posted by Jon Lansner

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Housing affordability is always a hot topic in the real estate game. Wilfred Cooper Sr. is founder and chairman of Newport Beach-Based WNC & Associates, a nationwide apartment investor that specializing in real estate tied to various low-income tax credits. Since its start in 1971, WNC has acquired 1,050 properties worth more than \$5 billion in 45 states. Cooper Sr. is a recent inductee into the Affordable Housing Hall of Fame.



Us: Whatever gave you this idea to promote affordable housing?

Cooper: Before I founded WNC, I worked in the aerospace industry for North American Rockwell Corp. In the late 1960s, I chaired a task force on factory-built housing and became aware of two very significant things: First, there were new lending programs underway to provide quality, affordable multifamily rental housing.

Second, affordable multifamily housing could generate significant tax incentives to make it a viable investment option. This presented the rare opportunity to participate in a business model that both helped those in need and also turned a good profit. I founded WNC in 1971 and 40 years later, we are still doing just that.

Q. How would you describe the state of housing affordability in America?

Cooper: The question of housing affordability in 2011 is a paradoxical one. Yes, housing is more affordable as a result of the economy. Home values are down nationwide and rents have either dropped or remained flat in most markets. Unfortunately, salaries are also down and unemployment remains rampant, so the availability of decent, safe and affordable homes is even more important than it was before the Great Recession.

Q. Same for California and SoCal?

Cooper: California has similar issues with affordability, particularly in the high-demand coastal areas. While we have certainly seen values move downward, there remains a dearth of affordable options for California residents both in rental and home ownership. Affordability is also an issue on the development side, particularly due to the high cost of land, labor, and materials in California. Of the few new construction projects underway in the state, many of them are employing strategies to keep new homes at reasonable sales prices or rental rates. Finally, rehabilitation projects are emerging as one of the more viable options for affordable multifamily housing development. The cost of developing a new apartment complex from the ground up ranges anywhere from \$150,000 per-unit, in small urban areas to \$350,000 per-unit, in greater populated coastal and metro communities including land, labor and materials. On the other hand, rehabilitation projects, which only require materials and labor, typically range from \$20,000 to \$40,000 per-unit. By using Low Income Housing Tax Credit (LIHTC) programs to improve older properties, you are able to meet the requirements of your investors, while creating quality affordable multifamily rental housing. And in the majority of WNC's rehabilitation projects, the tenant base is left entirely intact.

Q. Some blame the overzealous push for affordable housing ownership as fuel for recent real estate crisis — i.e. lending to folks ill-equipped to manage a mortgage. Is that fair?

Cooper: I believe that the real estate crisis stems from a skewed definition of "The American Dream." In the 10-year span leading up to 2008, achieving The American Dream was directly equated to owning a home. This pushed home ownership up to a staggering level of nearly 70 percent. This number included many individuals who did not have the proper means to own a home. There is a misconception that simply "managing a mortgage" is what it takes to own a home. There are taxes, insurance, and maintenance expenses to factor into the equation as well. We're now seeing this number return to a more realistic level of 65 percent. The real question to ask is "why can't The American Dream include renting?" We believe that any dwelling place that you live in and take pride in is a home. Ownership is not the golden ticket to success, and you should never spend more than 30 percent of your adjusted gross income on housing.

Q. We have to ask. What's your outlook for the overall housing market?

Cooper: Our country has seen a correction from the vastly overinflated home values across the nation during the past four years. When home values do begin to appreciate again, they will do so at a much more realistic and conservative rate. There has also been a change in homeowners' priority to "move up" in the housing market. The uncertainty in the economy and challenges in the housing market have caused many individuals to re-evaluate moving in favor of remaining in a comfortable situation with a manageable mortgage payment and less risk. It's a new era of conservatism and responsibility in home ownership. Broadly speaking, quality homes and apartments are becoming increasingly difficult for many people to afford in America today. As a result, (low-income housing tax credits) programs can offer tax incentives to investors to fund multifamily housing projects, new construction or rehabilitation, that provide affordable, safe and comfortable environments that enable many underprivileged members of society to thrive.

Does the 'American Dream' include renting?

- ▶ Yes
- ▶ No
- ▶ Let me think about it!

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