



## **NHT Use of NSP and Weatherization Funds to Preserve and Improve Multifamily Housing**

### ***Background***

At the outset, it's important to recognize that both NSP and weatherization funds are not limited to single family homes. Indeed, even before the last stimulus measure significantly increased weatherization funding, approximately 20,000 rental units/year benefitted from weatherization. The Trust's current data show some 16 states (up from four) that now plan to use weatherization funding for multifamily housing.

And NSP NOFAs make explicit that at least 25% of the funding from NSP must benefit households earning less than 50%. The NSP2 NOFA includes the following two principles which obviously permit funding for multifamily housing. NSP 2 funds should be used to:

- "Invest ... in programs and projects that will revitalize targeted neighborhoods and reconnect those targeted neighborhoods with the economy, housing market, and social networks of the community and metropolitan area as a whole.
- "Rapidly arrest decline. Support NSP2 uses and activities that will rapidly arrest the decline of a targeted neighborhoods that has been negatively affected by abandoned or foreclosed properties."

The following four examples are being pursued by NHT/Enterprise using NSP and/or Weatherization, sometimes as sole sources of funding and other times in connection with the allocation of low income housing tax credit.

### **SOUTHPOINT CROSSING – FLORIDA CITY, FLORIDA: NSP 1 Funding**

Southpoint Crossing is a 123-unit, year 15 tax credit community located in Florida City, Florida, approximately 40 miles south of Miami. NHT/Enterprise has been pursuing acquisition of the property or general partnership interests of Southpoint in conjunction with five other tax credit partnerships whose nonprofit general partner, Greater Miami Neighborhood (GMN) went bankrupt. Seventy percent of Southpoint's apartments are set-aside for households earning less



than 50% of area median income. The remaining units are reserved for households earning less than 60% of the area median income.

Although in need of substantial renovation, Southpoint is a “diamond in the rough.” The surrounding neighborhood suffers from poor physical conditions and social issues often associated with poverty settings. Adjacent to Southpoint is a troubled apartment complex. On the upside, the apartments are well sized and the property is 95% occupied. Southpoint is the only decent affordable housing choice in the community.

NHT/Enterprise is pursuing a preservation and neighborhood stabilization strategy for Southpoint Crossing. Taking advantage of a general partner mortgage that stands in first position and is in default, NHT/Enterprise was awarded \$7.4 million of Miami-Dade County NSP1 funding. *Florida Housing Finance made this transaction possible by agreeing to extend the term of a state loan in a subordinate position as a cash flow note.*

NHT/Enterprise has developed a substantial renovation plan for property at approximately \$37,000/unit that will focus on:

- NHT/Enterprise will add significant capital improvements that will enhance security
- reducing operating costs,
- repairing/adding amenities that will improve the quality of life for the residents’
- meeting Enterprise Green Communities Standards.

### **HARVARD HOUSE – NORTH MIAMI BEACH, FLORIDA: NSP1 AND NSP 2 Funding**

Harvard House is a 56-unit low income housing tax credit building located in North Miami Beach. Built in 1967, the property is in need of substantial renovations despite a moderate rehabilitation



effort that was completed 10 years ago. This complex is part of the five project portfolio that NHT/Enterprise has been attempting to acquire since GMN went bankrupt. The property is in a well located, established neighborhood, near mass transit and a vibrant commercial district.

Despite being 95% occupied, the significant capital needs of the property coupled with the nominal cash flow make the long term operations of the property infeasible without a substantial cash infusion to deal with the

renovations. Without, this property will continue to deteriorate and will not be viable as decent, safe and affordable housing in the near future. Harvard House was in default on the second mortgage held by Miami-Dade County. This made it eligible for the NSP program.

As a strategy to preserve this property, NHT/Enterprise approached a local Miami non-profit, Carrfour Supportive Housing Inc., to partner on the acquisition. NHT/Enterprise had received a commitment of \$2.2 million in NSP1 funds from Miami Dade County, but this amount alone was insufficient to address the severe disrepair of the building to ensure its long term preservation. Carrfour is part of a consortium of Miami-Dade County nonprofits that were awarded \$89 million of NSP2 funds. Carrfour bought \$4.5 million in NSP2 funds to Harvard House, almost all of which will be used for rehabilitation. The cost of renovation at Harvard House is \$68,000/per unit.

NHT/Enterprise will be the developer for the project and as such oversaw the transfer of ownership of the building in compliance with NSP regulations, restructured the financing, and with Carrfour will manage the renovations and temporary relocation of residents. This partnership between NHT/Enterprise and the local non-profit has provided the needed funding for the renovations and has preserved the long-term affordable of the units in this community.

### **LEISURE VILLAS-LEISURE CITY, FLORIDA: NSP1 Funding**

NHT/Enterprise closed on this 30 unit property in August 2011. Acquisition and construction are financed with NSP1 funds alone. Leisure Villas consists of two three-story apartment buildings with 30 three-bedroom units. The site was another property developed in 1995 by GMN after the devastation of Hurricane Andrew. Located in unincorporated southern Miami-Dade County, it is surrounded by other multi-family and commercial properties, including other rental tax credit properties. Occupancy at Leisure Villas is consistently in the mid-90's with little turnover despite the previous owners poor management of the physical asset including much deferred maintenance. The property recently failed Miami-Dade County HQS as a result of the conditions.



Leisure Villas has a General Partner first mortgage that was in default, enabling it to be eligible for Neighborhood Stabilization Program (NSP1) funds. NHT/Enterprise applied for and was granted \$3.6 million of NSP1 funds from Miami Dade County. Miami Dade underwriting requirements mandate that developers leverage other sources of funds. However, Leisure Villas cannot support any private debt. As a result, the County agreed to fund the property as long as they will be the eventual owner of the project. NHT/E will be the fee developer for the renovations of Leisure Villas.

**TEQUESTA KNOLL –MIAMI, FLORIDA: NSP 2 Funding**

Tequesta Knoll is an affordable community that was previously in the GMN portfolio. Tequesta is a nine story 100 unit tax credit building located near downtown Miami. The property is within walking distance of the courthouse and Jackson Memorial Hospital. Due to its proximity to these facilities, occupancy levels are consistently above 98%. Once again, NHT/Enterprise partnered with Carrfour, who as a member of an NSP2 consortium, was allocated several million dollars of NSP2 funds. Carrfour is contributing 100% of the financing for acquisition and renovation of the project, which closed in January 2012, with total sources equaling \$5.7 million. The NSP2 funds will pay off all the hard debt at the property and fund modest unit renovation and address serious site deficiencies.



**COPELAND MANOR & BASS CIRCLE – WASHINGTON, DC: NSP2 and Weatherization**

The National Housing Trust Community Development Fund (NHTCDF) was awarded \$10.6 Million in NSP2 funds for a stabilization investment and “green” redevelopment program which grows out of more than two years of work in a target neighborhood in DC called “Marshall Heights.” The two NSP2 activities to be carried out by NHTCDF are 1) acquisition and rehabilitation of foreclosed or abandoned residential properties and 2) establishing financing mechanisms for foreclosed upon homes and residential properties.



The major neighborhood redevelopment focus will be two “anchor” multifamily rental complexes with 183 units, Bass Circle and Copeland Manor. This rental housing, located on 7 acres, borders and wraps the perimeter of the neighborhood, enclosing the community of smaller multi, single and semi attached homes.

**Copeland Manor** is a 61 unit multifamily building in D.C.’s Marshall Heights Neighborhood. Copeland Manor will receive a rehabilitation of \$3.6 million, approximately \$60,000/unit. Renovations to the property will include all new bathrooms and new kitchens; the installation of ENERGY STAR appliances, low-flow

kitchen and bathroom fixtures, fluorescent lighting, new white, solar reflective roofs, Green Label carpeting, low VOC paints and sealants, upgrades to electrical service, reconfiguration of ADA units, extensive site work, a new storm water management system, new building facades, secure entryways, and secured parking gates. A previous grant from the federal Weatherization Assistance Program provided energy efficient windows and new energy efficient HVAC systems for each apartment. Construction began in October 2011 and will be completed in August 2012. The rehabilitation of Copeland Manor will meet the Enterprise Green Communities Criteria as required by the District of Columbia. Residents will enjoy significant health and economic benefits as a result of utility saving and environmentally friendly improvements.

The acquisition and renovation of the 61 units will serve households below 80% of AMI and will further affordability by exceeding the NSP2 requirement that 25% of rehabbed units be targeted to households at or below 50% AMI.

**Bass Circle Apartments** is a 119 unit rental apartment complex adjacent to Copeland Manor. Neglected



for years, the property fell into disrepair and suffered high levels of vacancy. Telesis Corporation was selected by the Bass Circle Tenants Association and the DC Department of Housing and Community Development (DHCD) to serve as the developer for the property's revitalization. To support Telesis's acquisition, DHCD foreclosed on an existing loan and offered a new subordinate deed of trust loan for part of the purchase price. The balance of the purchase price was paid with federal NSP2 funds through NHTCDF. In addition to NSP2 funding, the substantial rehabilitation of the property is expected to be supported by tax exempt bonds issued by DC

Housing Financing Agency and 4% Low Income Housing Tax Credit-based equity investment.

Bass Circle will be substantially rehabilitated to Green Communities standards with an emphasis on energy efficiency through window replacement, new building systems, and modernized appliances. There will also be extensive site improvements, including an innovative storm-water management program featuring bio-retention areas throughout the property. The goal of the rehabilitation is to transform the physical condition of Bass Circle and preserve it as good quality, affordable rental housing for its former residents and other low income District families. All rents will remain affordable to households earning 60% of AMI, while 20% of rents would be affordable to households earning 50% of AMI. A sufficient number of rents will also be further reduced to accommodate former residents and prevent their permanent displacement.

## **THE LEONARD – SYRACUSE, NY: NSP1 and Weatherization**



NHT/Enterprise partnered with the Syracuse Housing Authority to renovate the Leonard, a collection of three rental apartment buildings – totaling 48 units – in Syracuse, New York. The Leonard was part of a 277-unit federally subsidized, vacant rental housing scattered site property known as the Eljay Apartments, which had been previously foreclosed upon by HUD. The predominant source of financing is a construction loan funded from NSP 1 funds, which NHT/Enterprise closed on with the New York State Housing Finance Agency. The closing entailed a unique arrangement in which NHT/Enterprise

is leasing the property from the Housing Authority during the construction period of 14 months. NHT/Enterprise has also secured \$320,000 in weatherization funding. WAP funds – administered by local nonprofit P.E.A.C.E., Inc. – will be used to cover the cost of installing a new hot-water baseboard heating system with new high-efficiency boilers. Early inspections by the architect, mechanical engineer and general contractor revealed that reuse of the existing single-pipe steam system would be problematic. The project also received an award of \$120,290 in Green Improvement Funds through the Onondaga County Department of Water Environment Protection. Grant funds will be used to offset the cost of designing and implementing a storm water management system for the property. Additional sources of financing include a \$300,000 HOME loan and construction loan from First Niagara Bank for \$600,000.

The Leonard is located in the Near Westside neighborhood, which is characterized in the *Syracuse Housing Plan 2010* as a primarily residential area with some of the oldest housing stock in Syracuse. A sizeable portion of the existing stock is vacant and in need of substantial rehabilitation. The neighborhood also suffers from a very high vacancy rate, and majority of the homes are renter-occupied. Rehabilitation of the Leonard supports the Syracuse Housing Plan’s proposed strategy of stabilizing vacant structures through rehabilitation. The Leonard will also address the neighborhood’s need for decent, safe and sanitary housing for low-income renters. The ElJay Properties, of which the Leonard was previously a part, is also a component of the neighborhood revitalization that the City proposes to financially support in the *City of Syracuse Second Program Year Action Plan* as a means of strengthening the housing markets within targeted neighborhoods.