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PUBLISHED IN ASSOCIATION WITH THE NATIONAL HOUSING & REHABILITATION ASSOCIATION

Preservation Deals *Finding the Sweet Spot*

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Kenmore Abbey Apartments, Boston, Massachusetts
Developer: Preservation of Affordable Housing, Inc.
Photo: Preservation of Affordable Housing, Inc.

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Pam Goodman

numerous preservation transactions" says President Pam Goodman. "We recently redeveloped four communities with over 300 apartments in the greater Boston area that we acquired from a single seller. The developments all underwent significant capital rehabilitation using 4% tax credits with an enhanced voucher or project-based voucher component."

"We have also preserved," she said, "approximately 580 affordable apartments previously assisted under HUD's Section 236 and Rent Supplement programs with new project-based assistance under the RAD program. And over the coming year we expect to close on the acquisition of another 2,100 units in Massachusetts and Pennsylvania. All of these will be financed with either 9% or 4% credits with a Section 8 mark-up-to-market component. We're very interested in acquiring older properties with maturing mortgages or expiring Section 8 contracts and formulating plans to preserve affordability."

Beacon normally uses 4% rather than 9% housing credits for preservation deals. Goodman says the main challenge remains finding subsidies, which may be at risk in the current Washington environment. "There continues to be some concern about how the situation in Washington will impact the level of funding needed to accomplish these important preservation efforts," she said.

POAH Portfolio Acquisition

Sometimes preservation deals happen when a developer is in the right place at the right time. That's the case with Preservation of Affordable Housing, Inc. (POAH), a Boston-based nonprofit that purchased six affordable properties in Massachusetts from a single seller last summer. It has completed renovations to preserve them as affordable rentals for another 40 years.

POAH bought the properties – containing 841 apartments including 537 in downtown Boston – from State Street Development Management Corporation, which was exiting the affordable housing business and had previously sold several properties to POAH.

"We were able to wrap all of the properties together in one portfolio execution and take it down relatively quickly," says Rodger Brown, POAH's Managing Director of Real Estate Development. He said a major portfolio

acquisition – this was POAH's fourth – "also gives us the power to create cross subsidies within the portfolio when necessary. In some deals, the price the seller wants may not be supported by the economics of the deal as we would envision the execution. But to the extent we can create an execution on another piece of the portfolio that generates capital beyond the needs of that particular asset, we have methods of upstreaming and downstreaming money to different properties in the portfolio to achieve overall feasibility."

POAH obtained \$290 million in debt and LIHTC equity to cover acquisition, rehab, and other costs. Funding sources included proceeds of multiple tax-exempt bonds, 4% federal housing tax credits, state housing credits, tax credit equity, federal HOME funds, and a deferred developer fee. A separate partnership was created for each property with POAH as the sole general partner.

HUD approved 20-year renewals of 100% project-based Section 8 rental assistance for five of the properties. In the sixth, units are rent-restricted by the LIHTC program or a Section 236 regulatory agreement.



Rodger Brown

Public Housing Conversions

HUD's Rental Assistance Demonstration (RAD) program is writing a new chapter in preservation. Under RAD, owners of public housing properties and certain at-risk HUD-assisted rental projects can apply to HUD

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Housing Preservation Database Launched

The Public and Affordable Housing Research Corporation and the National Low Income Housing Coalition have launched the National Housing Preservation Database. It contains property-level data from nine HUD and USDA data sources on the location, characteristics, and status of nearly all federally subsidized housing properties – more than 70,000 with 3.5 million units. Included are public housing projects, low-income housing tax credit properties, properties with HUD-insured mortgages, HOME-assisted developments, Section 202 projects, and Rural Housing Service Section 515 and 538 projects. Users can filter the data and download the entire dataset.

(<http://www.preservationdatabase.org>)