



Preserving Multifamily Rental Housing in Hot Markets

HOUSING COLORADO NOW – 2019 ANNUAL CONFERENCE

Introductions

- ▶ Beth Truby: Preservation Program Manager



- ▶ Jennifer Siegel: Housing Development Officer



- ▶ Lauren Schevets: Director of Development – Colorado



- ▶ Kevin Knapp: Principal – Community Development



Session Overview

- ▶ Discuss policymaking that supports the preservation of affordable housing
- ▶ Highlight the components of 2 preservation transactions that made them successful
- ▶ Highlight opportunities for public/private collaboration

Agenda

- ▶ Policy: Colorado Housing Preservation Network
- ▶ Policy: City and County of Denver Preservation Ordinance
- ▶ Case Study: Preservation of The Colburn Hotel
- ▶ Case Study: Preservation of Nest Communities

Preserving Multifamily Rental Housing in Hot Markets

Housing Colorado Now

October 11, 2019

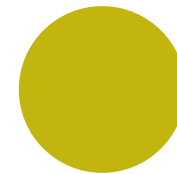
Beth Truby
Preservation Program Manager
Colorado Housing and Finance Authority



*financing the places where
people live and work*

- Colorado Housing Preservation Network
- Develop and maintain a master database
 - track inventory and identify “at-risk” properties
- Work to preserve properties
- Implement a coordinated strategy

colorado's preservation initiative



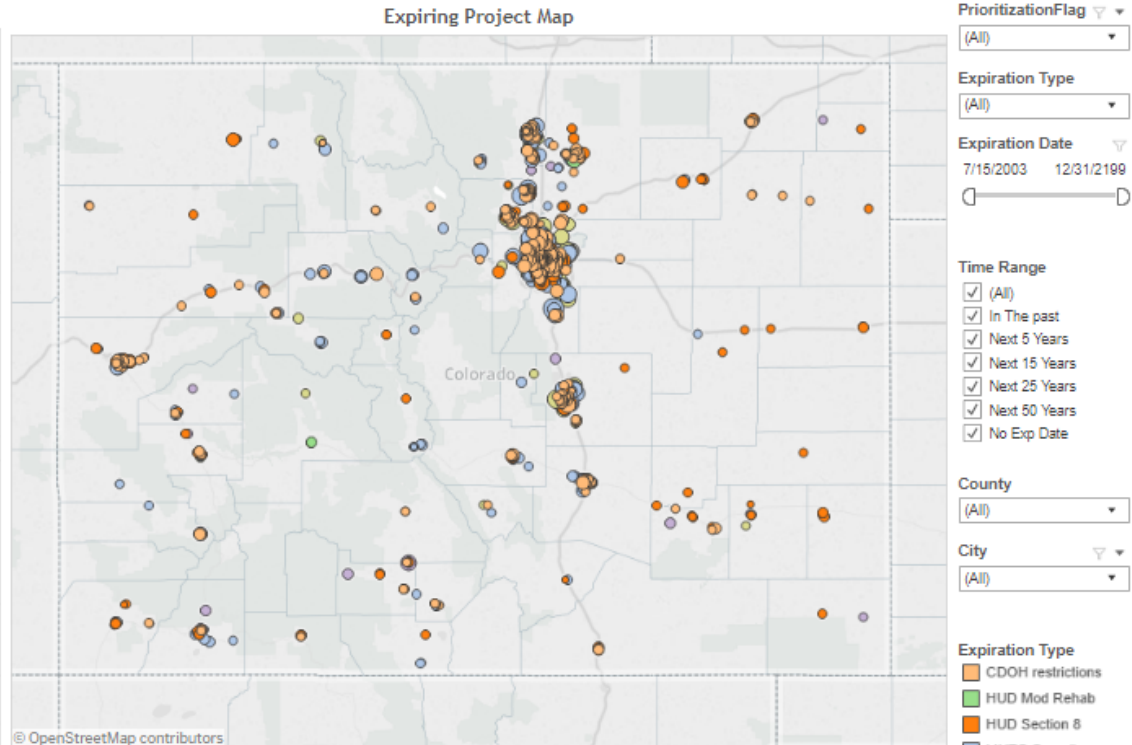
preservation database

1,400 Multifamily Properties and 72,000 Affordable Units

- Expiring by year
- Sources of restrictions
- Property and owner information

260 Properties on Prioritization Flag List

- 13,600 affordable units
- All expiration dates < 3 years
- Mod Rehab and 4% LIHTC at year 18

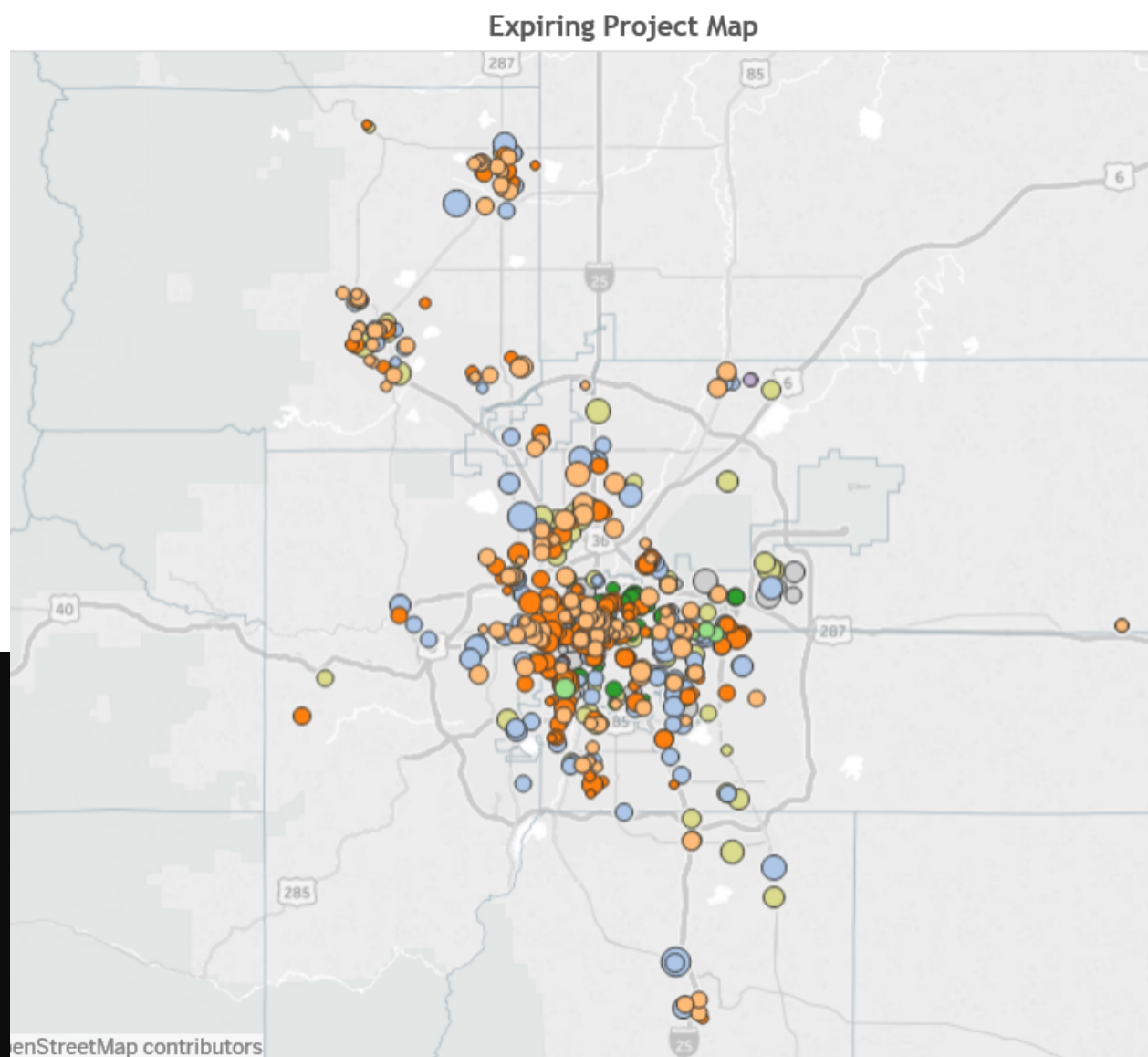


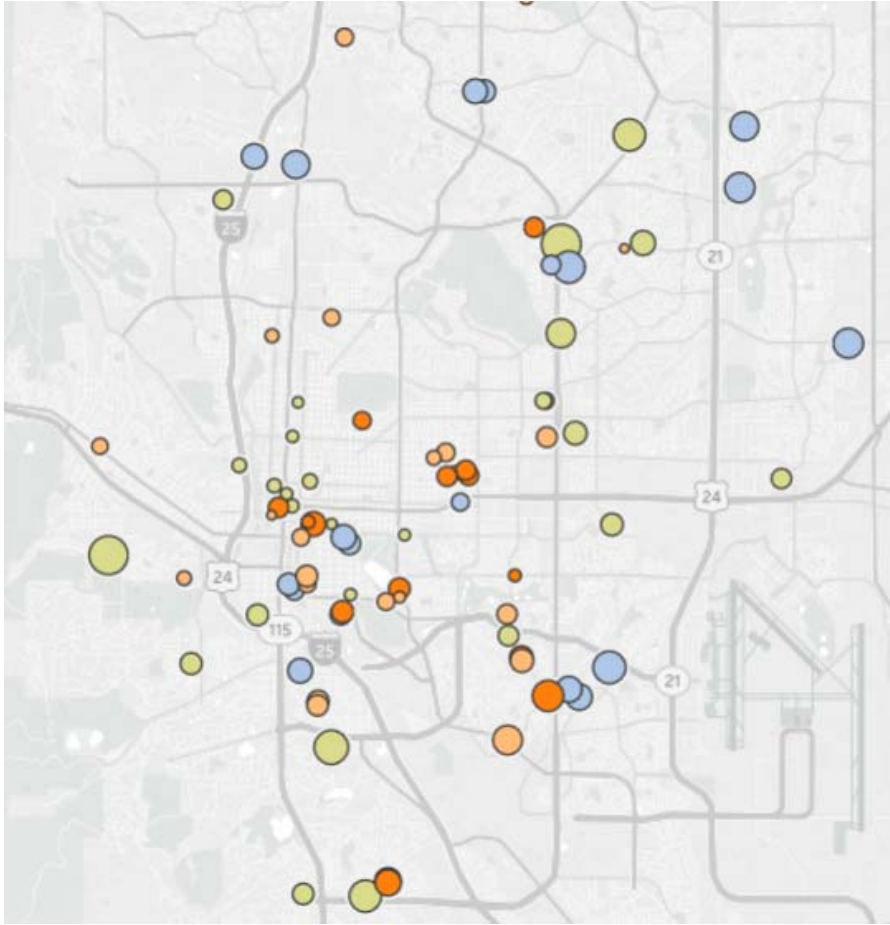
What field would you like to sort on?

Project Name

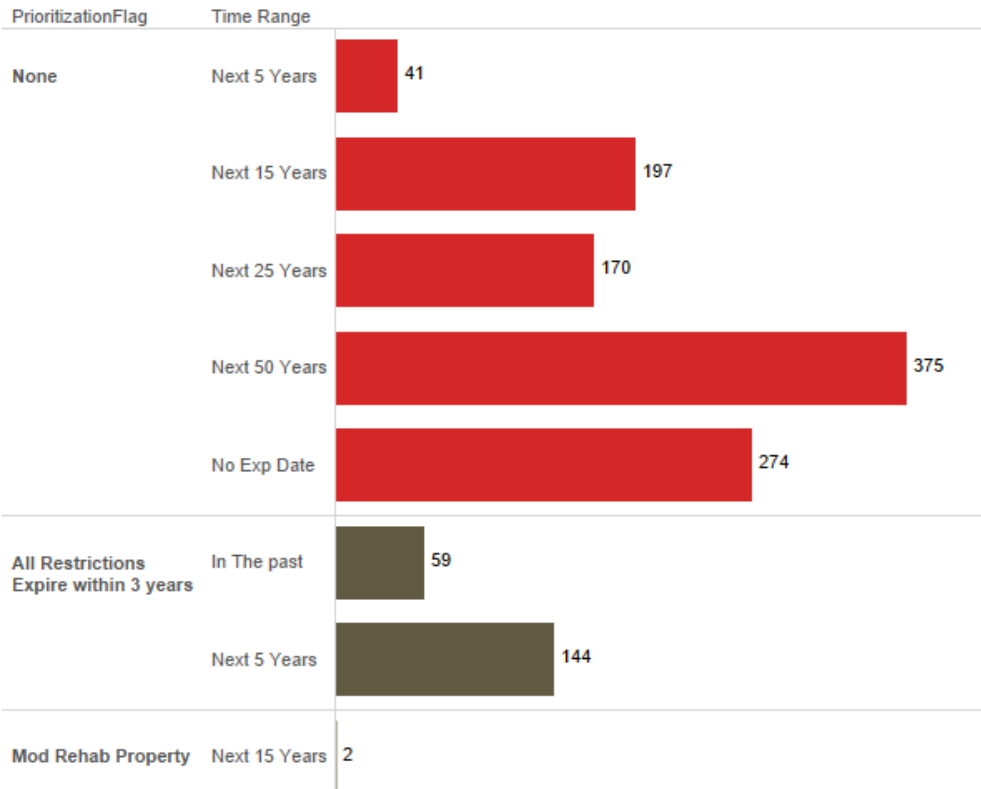
[illegible]

7-County Metro Denver Area

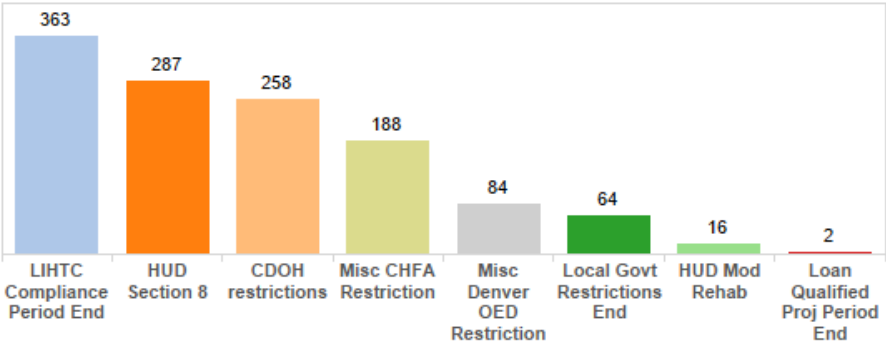




Projects Expiring by Type



Projects Expiring by Type



Units Expiring by Population Served

Population Category	In The past	Next 5 Years	Next 15 Years	Next 25 Years	Next 50 Years	No Exp Date
Not Specified	6	26	24	43	79	47
General Affordable	45	67	90	65	182	167
Homeless			1	2	7	2
Senior	5	67	74	52	83	41
Special Needs	3	25	10	8	22	17
Veterans					2	



Project Details Dashboard

Select Project to view details

Aria Apartments, 80221-2791 W 52-

Project Name
Aria Apartments

Community Facts Neighborhood:
CHAFFEE PARK

[Click to view detailed Shift Research Lab Community Facts](#)

Comments

Address
**2791 W 52nd Ave
DENVER, CO 80221**

[Click Here to Add Project Comments](#)

Project Expiration Types

LIHTC Compliance Period End

Owner Organization
Perry Rose LLC

Population Served
**General
Affordable**

Total Units
72

Bedroom Mix

0 Bed Units	0
1 Bed Units	31
2 Bed Units	41
3 Bed Units	0
4 Bed Units	0

Year Built
Not Specified

Owner Type
Unknown

Restricted
Units
71

Ami Mix

30% AMI Units	8
40% AMI Units	6
50% AMI Units	15
60% AMI Units	42

HUD Section 8
Expiration Date

HUD 2nd Section 8
Expiration Date

Local Government
Expiration Date
May 8, 2032

HUD Mod Rehab
Expiration Date

HUD Regulatory
Agreement
Expiration Date

CDOH Restrictions
Expiration Date

LIHTC Compliance
Period
End Date
December 31, 2028

LIHTC LURA Extended
Use Period
End Date
December 31, 2053

State LIHTC LURA
Expiration Date

Loan Qualified Project
Period
End Date

foundation laid

- ✓ Housing Preservation Network
- ✓ Database
- ✓ Strategic Plan
- ✓ Preservation prioritization matrix
- ✓ Owner and jurisdiction outreach

Collaboration/coordination



successes!

- 2016-2018 units preserved
 - 13,678
- Mod Rehab workshop
- Mobile home parks
- Partnership w/EOC
- NCSHA/DRCOG awards
- Additional resources



emerging successes

- Preservation financing
- NOAH properties, especially <49 units
- Community land trusts
- Rural Preservation Academy

questions?



Beth Truby
Preservation Program Manager
Colorado Housing and Finance Authority
btruby@chfainfo.com
303.297.7390



*financing the places where
people live and work*



LOCAL PRESERVATION POLICIES

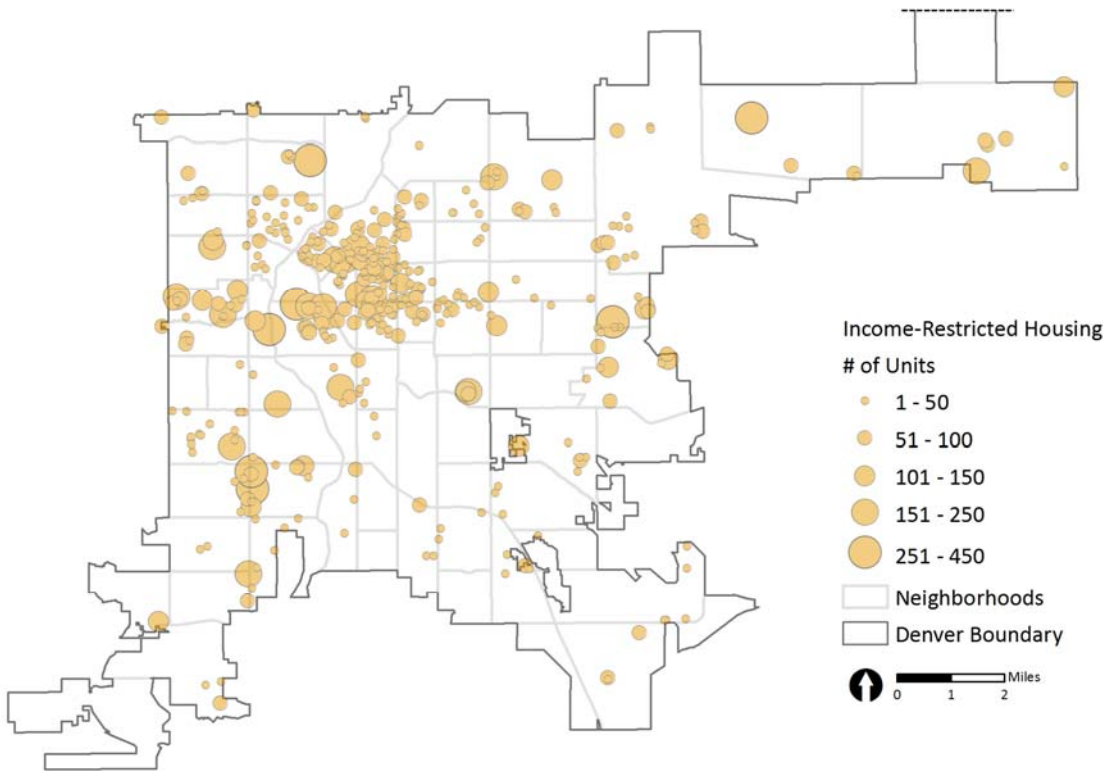
Housing Colorado 2019

Jennifer Siegel, *City of Denver – Housing Stability (HOST)*

October 4, 2019

What is preservation? Why preserve?

- **Preservation is the extension of the income-restriction that keeps a home affordable to low- and moderate-income residents.**
- **Preservation helps keep an existing affordable home available for low and moderate income households long-term**
 - Can include both rental and for-sale housing
 - Can include homes that are currently income-restricted and those that are unsubsidized or “market affordable”
- **The value of preservation:**
 - Helps maintain city’s affordable housing stock
 - Can be less expensive than new construction of affordable housing
 - Entitlement process complete, no new infrastructure typically required
 - Can help maintain character of neighborhood by preserving historic structures
 - Can reduce displacement of existing residents



Denver's Inventory of Income-Restricted Housing:

- 22,117 total units (20,688 rental, 1,429 for-sale)

Over the coming five years, the income-restrictions on 1,826 units will expire.

- 8.25% of Denver's income-restricted housing stock
- Often, expiring properties are located in areas of Denver that would be cost-prohibitive to build new in today.

Our Preservation Policy “Toolbox”

The city currently has these primary tools to support the preservation of Denver’s income-restricted housing stock:

- 1. Preservation Ordinance (only for income-restricted rentals)**
 - Notification requirements prior to sale
 - Right of first refusal
- 2. Gap Financing:**
 - Loan products for acquisition and renovation
 - Accompanied by a new income-restriction
- 3. Property Tracking:**
 - Strong coordination with CHFA, DOH and HUD to update inventory of income-restricted units
- 4. Outreach to Managers and Owners of Income-Restricted Properties:**
 - Phone and mail outreach to owners of properties with restrictions expiring in under five years
 - Provide information on preservation ordinance requirements and financing products

The Challenge of Preservation

- **In 2016, Denver faced an opportunity to preserve an existing senior property originally restricted via the tax credit program in the early 1990s**
 - High-amenity neighborhood
 - Resident population earned less than income restriction
 - Income restriction expiring within 5 years
 - Seller sought to exit property ownership
- **Denver's primary tool at the time was its Preservation Ordinance**
 - Provides right of first refusal when affordable housing is sold
- **However, Denver was unable to exercise the ROFR**
 - Price generated substantial financing gap
 - Timing of ROFR was too short for City to step in



Strengthening the City's Toolbox

In response to the challenges posed by preservation, the City has worked to strengthen the tools it has available to preserve housing.

1. **Preservation Ordinance**

- In 2018, Denver City Council approved amendments to the Preservation Ordinance
- New rules and regulations streamline implementation of the Ordinance and frontload due diligence on preservation properties

2. **Gap Financing:**

- Increased maximum per project funding from \$3mm to \$3.75mm, or 25%

3. **Sixty Year Affordability Period**

- Beginning in 2019, all projects receiving City investment must be income-restricted for 60 years

4. **Preservation Partners**

- Group of non- and for-profit organizations solicited via RFP ready to support the City in acquiring affordable properties

5. **Relationship Development with Broker Community**

6

A Preservation Success Story

- **In 2016, Denver faced an opportunity to support the preservation of an existing SRO property originally restricted via the tax credit program**
 - High-amenity neighborhood
 - Expired income restriction
 - Vulnerable resident population; majority formerly homeless
 - Seller sought to exit property ownership
- **Denver collaborated with buyer to support preservation**
 - Elected not to exercise ROFR due to 4% + State LIHTC award
 - Provided \$3.45 million in gap financing to support acquisition
 - Worked closely with buyer to approve City financing prior to the property's acquisition and move toward resyndication



Preserving For-Sale Housing

- The City is currently strengthening its efforts to preserve existing income-restricted for-sale housing
- We are working with our Preservation Partners to establish processes for the following types of transactions:
 - *Extending Covenants at Home Sale:* The covenants restricting for-sale homes are often only 15-20 years. By investing in homes at resale, the City has an opportunity to extend their affordability.
 - *Preserving Affordable Homes in Foreclosure:* Income restrictions are often lost when homes are sold in foreclosure. Denver is working with its Preservation Partners to develop a process for purchasing homes out of foreclosure.



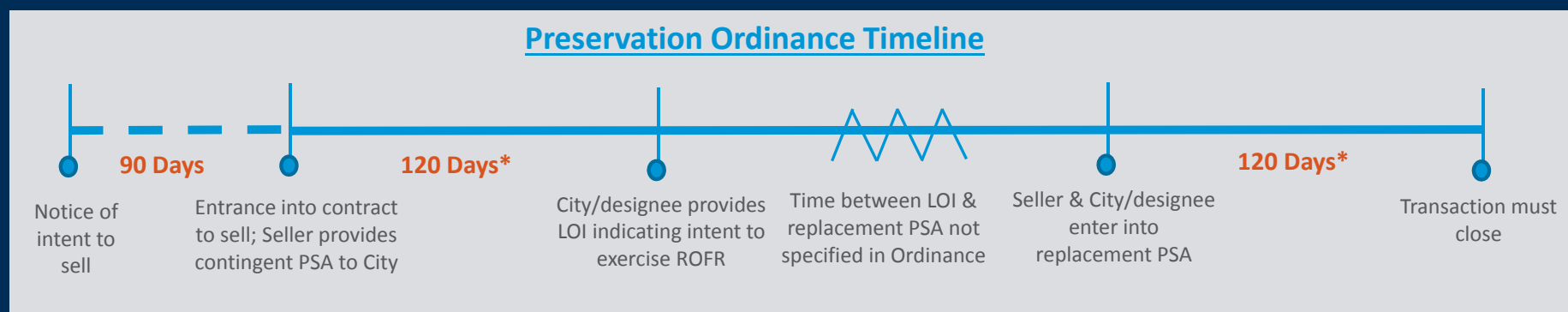
Coming Soon...

- **“User-Friendly” Guide to Denver’s Preservation Ordinance**
- **Investment in a Preservation Fund**
 - In 2019, Denver plans to invest in the creation of a “quick strike” fund that can support the rapid acquisition of preservation properties
- **Policy approach to Naturally Occurring Affordable Housing (NOAH)**
 - Denver currently is challenged in how best to preserve housing that is affordable to its residents, but does not carry an income-restriction. As an example, if a property’s income restriction has elapsed, the Preservation Ordinance does not apply.
- **Policy approach to preserving properties under 50 units**
 - Denver is currently challenged in acquiring and preserving properties that contain affordable housing, but may be too small for a standalone resyndication (<50 units)

Preservation Ordinance Overview

The Preservation Ordinance provides the City with notice when sale of an income-restricted property is planned and offers the City or its designee the right of first refusal when income-restricted properties are sold.

However, the right of first refusal **is only applicable when income-restricted properties are sold**; it does not apply after the expiration of an income restriction.





QUESTIONS



Case Study: Preservation of The Colburn Hotel

980 Grant Street

Denver, Colorado

*Revitalizing
Communities Through
Innovative Housing
Partnerships*

GORMAN
& COMPANY



GORMAN
& COMPANY



*Revitalizing
Communities Through
Innovative Housing
Partnerships*

GORMAN
& COMPANY

The Colburn – Overview

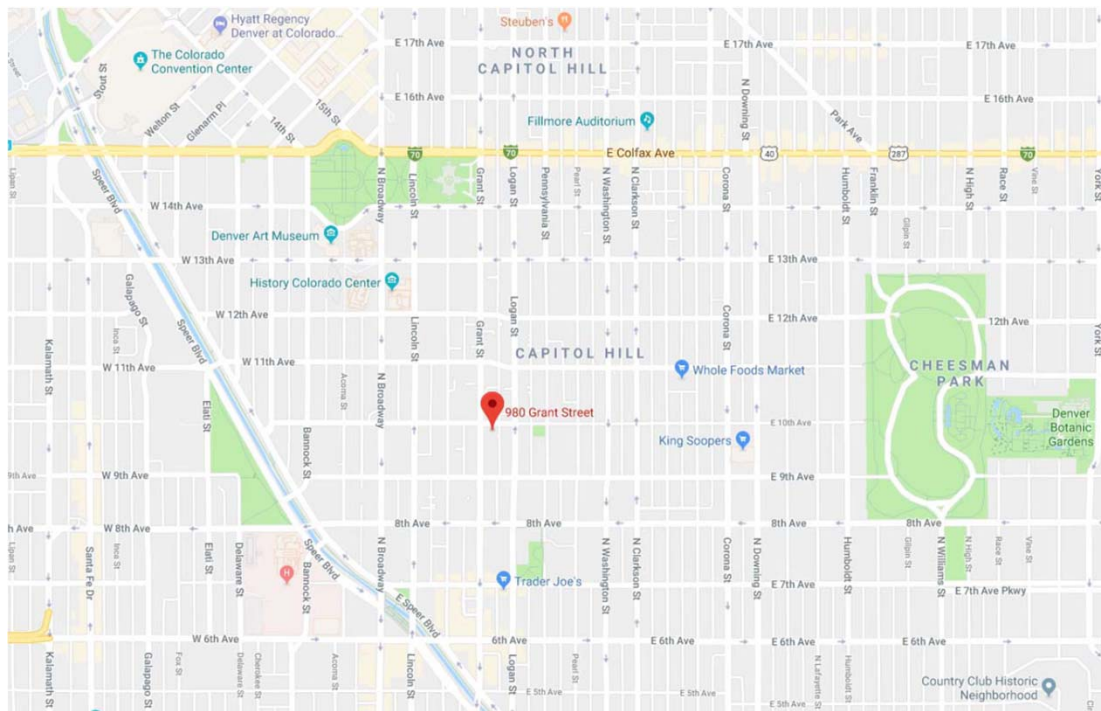


- Built in 1925
- Operated as a Hotel until 1989
- 92 Residential Units
 - 88 Single Room Occupancy (SRO) Units for Homeless Individuals
- 2 Commercial Units
 - Restaurant
 - Chiropractor
- **LURA expired in 2017**

*Revitalizing
Communities Through
Innovative Housing
Partnerships*

GORMAN
& COMPANY

The Colburn – Site Location



*Revitalizing
Communities Through
Innovative Housing
Partnerships*

GORMAN
& COMPANY

The Colburn – Rehabilitation

- Property acquired by Gorman in August, 2018.
- LIHTC Financial Closing in May, 2019.
- Gorman is currently under construction to rehabilitate the building and convert the units from SROs to Efficiencies. Construction will be completed by end of 2020.
- Planned Improvements Include:
 - Addition of efficiency kitchens
 - Addition of 8 ADA bathrooms
 - Addition of A/C to each unit
 - Improvements to finishes throughout
 - Mechanical, Electrical, Plumbing upgrades
 - Upgraded common amenities



*Revitalizing
Communities Through
Innovative Housing
Partnerships*

GORMAN
& COMPANY

The Colburn – Rehabilitation



*Revitalizing
Communities Through
Innovative Housing
Partnerships*

GORMAN
& COMPANY

The Colburn – Financing

- HUD Rental Assistance Demonstration (RAD) Conversion
 - 88 SRO Rental Assistance to 88 Project-Based Vouchers

Sources	Amount
First Mortgage –Freddie TEL (KeyBank)	\$8,290,000
4% LIHTC (KeyCDC)	\$6,364,322
State LIHTC (KeyCDC)	\$2,452,282
City and County of Denver	\$3,450,000
State Division of Housing	\$985,000
Federal Historic Tax Credits (KeyCDC)	\$1,932,737
State Historic Tax Credit Loan	\$571,500
Funding from Operations	\$335,770
Deferred Developer Fee	\$603,406
TOTAL	\$24,985,017

*Revitalizing
Communities Through
Innovative Housing
Partnerships*

GORMAN
& COMPANY

The Colburn - Preservation Challenges

- Acquisition:
 - Market Rate Expectations
 - Basis Limitations
- Two-Phases: 1) Acquisition then 2) LIHTC closing
 - Funding Sources for Acquisition
 - Risk
- Occupied Rehab:
 - Transition to New Management
 - Temporary Relocation of Residents
- Historic Building
- Complex Financing

*Revitalizing
Communities Through
Innovative Housing
Partnerships*

GORMAN
& COMPANY

The Colburn – Lessons Learned

- Collaborative Relationships between Buyer and Seller
- Engage with Residents
- Partnerships are critical
 - Local, State, and Federal Partnerships and Resources
- Financing Team



*Revitalizing
Communities Through
Innovative Housing
Partnerships*

GORMAN
& COMPANY

Thank you!



Lauren Schevets

lshevets@gormanusa.com

720-308-8253

*Revitalizing
Communities Through
Innovative Housing
Partnerships*

GORMAN
& COMPANY

The Nest: Preservation Through Public Private Partnership

Kevin Knapp

October 11, 2019

Colorado Housing Now Conference





The Opportunity

- **Portfolio for Sale:** 238 units across five buildings in Central and South Boulder
- **Price:** \$39,320,000
- **Boulder Market:** Very hot market with REITs buying properties to redevelop or significantly increase rents

Due Diligence

Required Criteria:

- Met the **10-year rule**
- Strong initial underwriting bolstered by a **QCT**
- Large enough **scale** to appeal to tax credit investors
- Ability to **leverage** multiple sources of financing

Desirable Components:

- **Value add** opportunity on well-maintained properties
- **Large lots**
- **Transit-oriented** locations
- Ample **parking**
- **Large units**
- Nearby **amenities**

Financing: Equity Options

	Market Rate	Affordable			
Main Sources	Equity & debt	9% LIHTC	4% LIHTC & State Tax Credits	4% LIHTC & CDBG-DR	4% LIHTC & Boulder Funds
Timeline	Solicitation begin immediately	One round in June	One round in February	A few rounds during the year	Commitment in 30 days, funds at acquisition
Risk	<ul style="list-style-type: none"> - Element's largest equity calls 	<ul style="list-style-type: none"> - Funds not available for acquisition - Competitive process with preference for affordability & supportive services 	<ul style="list-style-type: none"> - Timing - Competitive process 	<ul style="list-style-type: none"> - Availability uncertain - Competitive process - Additional compliance 	<ul style="list-style-type: none"> - Competitive process - If funded, would be largest award from City

Financing: Debt

- Partnership between Red Stone and Google
- Terms that beat out FHA risk-share, 221d4, and other private financing
- Interest in the deal
- How Red Stone found Element



Project Financing and Scope

Source	Amount
Boulder Affordable Hsng Funds	\$10,750,000
Private Activity Bond Debt	\$30,560,000
4% LIHTC Equity	\$20,400,000
Developer Contribution	\$1,770,000
TOTAL	\$63,480,000

Use	Amount
Acquisition	\$39,320,000
Construction Costs	\$10,670,000
Soft Costs	\$11,990,000
Reserves	\$1,500,000
TOTAL	\$63,480,000

Project Scope

- **Complete interior upgrades:** floors, cabinets, countertops, EnergyStar appliances, bathrooms, insulation and energy upgrades
- **Exterior improvements:** modernized exteriors, new railings and stairs, updated landscaping, new playground equipment, refinished parking lot
- **Fire sprinkler system:** for safety of the residents and the buildings
- **New branding:** create an identity and sense of place for residents



NEST
COMMUNITIES

ELEMENT
• PROPERTIES •

Exterior Renovations



Interior Renovations



Why Everybody Wins

- **City of Boulder:** return on investment, speed of delivery, efficient conversion of dollars to units
- **Red Stone:** performing asset in a location of interest to investor
- **Element:** excellent investment that benefits the community
- **Residents:** new housing in a great location at a (permanently) affordable rent



How This Can Happen in Your Community

- City/municipality support
- Leverage LIHTC from CHFA
- Local developer with strong relationships
- Attractive debt financing options for max leverage
- Preservation of existing 'market-rate affordable' asset

THANK YOU!

▶ Beth Truby
CHFA
btruby@chfainfo.com

▶ Lauren Schevets
Gorman & Company
lshevets@gormanusa.com

▶ Jennifer Siegel
City and County of Denver
Jennifer.Siegel@denvregov.org

▶ Kevin Knapp
Element Properties
kevin@elementproperties.com