

Public Housing Transformation: *Maple Park Apartments in Live Oak, CA*

Project Background

On May 29th, 2013, the Regional Housing Authority of Sutter and Nevada Counties (RHASNC) and its nonprofit development partner, the Community Housing Improvement Program (CHIP), as well as members of the local community, celebrated the completion of Phase I of the newly rebuilt Maple Park Apartments in the Sutter County city of Live Oak. The site had originally been developed in the 1950s as 30 public housing units, and was the oldest property in RHASNC's portfolio. Due to steadily declining federal resources for capital improvements over several decades, the property's deteriorating physical state finally required that something be done.



With input from the California Housing Partnership Corporation (CHPC), RHASNC decided that rebuilding was the best course of action in order to provide additional affordable homes and new amenities on the large 4.4-acre site. Mogavero Notestine Associates provided a denser and more modern design for the new Maple Park Apartments, tripling the number of affordable units on the site from 30 to 91 while also incorporating expanded amenities for residents and neighbors. The development includes a new park and playground as well as a new community center. Each new unit includes a washer and dryer. The buildings provide state of the art energy efficient HVAC, windows, and appliances. Phase I consists of 56 affordable family units while Phase II, with 35 affordable senior apartments, is currently in predevelopment.

CHIP Provides Mission-Based Development Capacity to RHASNC

As a small, rural housing authority, RHASNC had limited prior experience with the application process and financing tools needed to rebuild a public housing property. With assistance from CHPC, RHASNC selected CHIP to help see the project through to completion. CHIP, based in nearby Chico, was founded in 1973 as a housing rehab program with the purpose of improving a Chico neighborhood through small-scale renovation projects. Through the leadership of its first Executive Director, Fran Wagstaff, CHIP became an established non-profit owner and developer of affordable rental housing in the North Valley. Nearly 40 years later under the leadership of Dave Ferrier, CHIP's extensive development experience was central to the financing plan CHPC helped design for Maple Park Apartments because it allowed the project to obtain essential state HOME funds and a competitive allocation of Low Income Housing Tax Credits (LIHTC).

Navigating Complex Bureaucratic Barriers to Rebuilding and Refinancing

Any redevelopment, restructuring or demolition of public housing requires approval from the U.S. Department of Housing and Urban Development (HUD), a process that can be lengthy and complex.

After about nine months of communication with HUD's Special Applications Center (SAC) in Chicago, RHASNC finally secured HUD's permission to completely rebuild and expand Maple Park Apartments under Section 18 of the United States Housing Act of 1937. The Section 18 approval also allowed HUD to issue Relocation Vouchers so that residents could be safely and comfortably housed while Maple Park was being demolished and rebuilt. The vouchers increased the size of RHASNC's Housing Choice Voucher program, providing additional administrative fee income and economies of scale.

Once the task of temporarily relocating residents was complete, RHASNC tackled the next important task - providing an allocation of Project-Based Vouchers (PBVs) so the new Maple Park Apartments could leverage sufficient debt and equity to complete the development program. Leveraging PBV contracts with their higher market rate rents in order to borrow additional private debt is a financing tool that CHPC helped pioneer in the late 1990s that is critical to making revitalizations of these older properties possible today.

Impact of Financial Markets Collapse

Unfortunately, the beginning of Maple Park Apartments' rebuilding process coincided with the worst part of the collapse in the nation's financial markets. As a result, it was more difficult to find investors and lenders for the project. The small size of Phase One and its rural location also created challenges to attracting lenders and LIHTC investors, who are generally more motivated to finance larger developments in more urban housing markets where they receive more credit under the Community Reinvestment Act (CRA).

PBV rents could not be leveraged to their maxim potential because bank appraisers underestimated the voucher rents using a methodology that resulted in projected rents lower than HUD's and the California Tax Credit Allocation Committee's market studies. The lowered estimate of the rental income reduced the debt that could be leveraged, resulting in a financing gap just prior to the development's construction closing.



CHPC financial consultants, Lihbin Shiao and Laura Kobler, assisted RHASNC and CHIP to confront this challenge by finding ways to leverage the PBV income and LIHTC investor equity to the fullest extent possible through various concessions from the parties. Shiao comments, "The commitment of RHASNC, CHIP, and the City of Live Oak to overcoming difficult hurdles to make Maple Park a reality during a challenging time for the entire industry was impressive. The bank and the investor both supported the implementation of this project in the creative manner that is often necessary to get these worthwhile developments financed these days."

The City of Live Oak, Wells Fargo and other Private Partners See the Project Through

The City of Live Oak played a key role in funding the rebuilding of Maple Park. The City served as the sponsor for the project in order to obtain federal HOME and Community Development Block Grant funds administered by the state of California with the assistance of CHPC's Laura Kobler[MS1] . When the state's Housing and Community Development Department (HCD) announced a one-time notice of availability for Supplement Funding for stalled HOME projects (that did not originally include projects funded in the same year as Maple Park), CHPC was able to convince HCD to include Maple Park in the

eligibility criteria. Obtaining additional state HOME funding lead to a higher tax credit application tie-breaker score and an award of 9% tax credits in the following round. The City also provided hundreds of thousands of dollars in waivers of local impact and permitting fees that substantially lowered development costs.

While some banks balked at the financing challenges, Wells Fargo committed to provide a construction loan for the project. Margaret Schrand was a key advocate for the project within the bank and helped secure this important piece of financing. With a construction loan in place and the active support of Schrand, the development was able to obtain permanent financing from the California Community Reinvestment Corporation (CCRC), based on both future rental income and the PBV rental increment. RBC (formerly the Royal Bank of Canada) came through as the tax credit equity investor.



| SOURCES | Construction | Permanent |
|---|----------------------|----------------------|
| Wells Fargo Construction Loan | \$ 9,529,440 | \$ - |
| CCRC Permanent Loan | \$ - | \$ 302,148 |
| CCRC S8 Increment Loan | \$ - | \$ 1,139,732 |
| State HOME | \$ 3,000,000 | \$ 3,000,000 |
| State CDBG | \$ 631,718 | \$ 631,728 |
| Land Donation | \$ 319,900 | \$ 319,900 |
| FHLB AHP | \$ 550,000 | \$ 550,000 |
| City of Live Oak (Fee waiver) | \$ 865,487 | \$ 865,487 |
| Costs Deferred Until Perm. Loan Closing | \$ 931,453 | \$ - |
| RBC Limited Partner LIHTC Payments | \$ 1,594,513 | \$ 10,613,516 |
| Total | \$ 17,422,511 | \$ 17,422,511 |

| USES | Construction | Permanent |
|---|--------------|----------------------|
| Land Acquisition and Demolition | | \$ 1,109,481 |
| Construction and Landscaping | | \$ 11,661,322 |
| Relocation | | \$ 78,568 |
| Design, Engineering, Local Permits and Fees | | \$ 2,456,583 |
| Reserves and Financing Costs | | \$ 650,282 |
| Legal, Consulting, Dev. Fee, Other Soft Costs | | \$ 1,466,275 |
| Total | | \$ 17,422,511 |

CHPC Services for Nonprofit and Local Government Staff

CHPC provides technical assistance and training to help nonprofit and government agencies build and preserve affordable homes for California families and seniors. For more information about our preservation program, please contact Housing Policy and Preservation Associate, James Pappas at jpappas@chpc.net or (415) 433-6804 x 320. For information about CHPC's technical assistance services, contact either Richard Mandel at rmandel@chpc.net or Laura Kobler at lkobler@chpc.net.

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