



HOUSING PRESERVATION NEWS

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"Preserving" Market Rate Properties to Reduce Homelessness: The Courtyards in Long Beach



Editor's Note:

The Courtyards in Long Beach (The Courtyards) is not your typical housing preservation success story in that it does not entail saving expiring subsidies or rent protections. What makes it a remarkable story, however, is the mission-driven developer's success in transforming 46 substandard, scattered-site, unsubsidized studio apartments into an integrated model of deeply affordable supportive housing in a beautifully restored facility. The Courtyards also illustrates the power of two innovative government programs, the American Recovery and Reinvestment Act (ARRA) and California's Mental Health Services Act (MHSA), in combination with strong leadership from a state agency and a determined nonprofit developer, to create hope and opportunity for a vulnerable population that is all too often short on both.

An Opportunity for a New Beginning

Prior to their transformation, the four 1920's-era, single-story, courtyard-style apartment buildings that comprise the Courtyards were in dire need of repair, with high vacancies, code violations, and substandard living conditions. Unable to keep up with the needed repairs and with a strong interest in selling, the owner notified Mental Health America of Los Angeles (MHA) of their intent to sell the properties. At that time, MHA master-leased one 10-unit building, and they had placed additional clients at the other properties. MHA was fearful that the affordable housing opportunities that the buildings offered would be lost under new ownership. In early spring 2008, MHA's development affiliate, Clifford Beers Housing, saw the tremendous opportunity for rehabilitating and preserving the properties and purchased all four buildings as a package.

Financing Challenges: ARRA and TCAC's Backfill Program Saves the Day

In October 2008, with help from CHPC staff, Clifford Beers successfully secured Long Beach Housing Development Company (LBHDC) funds, Multifamily Housing Program Supportive Housing (MHP-SH) funds, MHSA funds, and an allocation of 9% Low Income Housing Tax Credits (LIHTC). According to Sarah White, Senior Project Manager at Clifford Beers, the project was on track for a very economical development schedule when, in November 2008, "the financial markets came crashing down, leaving an allocation of 9% credits and no investor to purchase them and preventing the project from moving forward."

To add to the unexpected financing challenges, the MHP-SH funding commitment was called into question when HCD was unable to re-assure the banks that it had sufficient cash on hand to fulfill its take-out loan obligations. Without access to private capital or any other solution in sight, the California Tax Credit Allocation Committee (TCAC) stepped in with a new ARRA inspired loan program designed to back-stop the MHP dollars. “Thankfully we had strong leadership from Bill Pavão [Executive Director] at TCAC. The TCAC team, working with CalHFA, structured a really great program with the ARRA money,” said Sarah White. By Fall 2009 Clifford Beers successfully exchanged the project’s allocation of 9% Tax Credits for cash through the ARRA Section 1602 Tax Credit Exchange Program and received a TCAC backfill loan to replace the MHP-SH loan, allowing the project to move forward towards its construction start.

The City of Long Beach also demonstrated a deep commitment to the project by contributing a critical \$2.27 million loan. The remainder of the financing for the \$12.8 million project came together with a \$5.6 million construction loan from Wells Fargo Bank, a \$500,000 AHP loan, \$7.7 million in ARRA funding (backfill loan and Tax Credit Exchange), and a \$2.2 million MHSA loan and 2.3 million in MHSA operating subsidy.

The completed 46-unit property consists of 23 units of permanent supportive housing for homeless and mentally ill adults at 30% Area Median Income (AMI), 21 studios reserved for households at 50% AMI, and two studios reserved as manager units.



SOURCES	Construction	Permanent
Wells Fargo Bank	5,600,000	-
TCAC/Cash-in-lieu	1,776,595	4,799,882
TCAC-ARRA loan (HCD Backfill)	-	2,903,613
Mental Health Services Act	2,194,403	2,194,403
City of Long Beach	1,778,000	2,271,000
Income from property operations	122,190	122,190
FHLB AHP / First Regional Bank	531,519	531,519
Deferred Developer Fee	159,900	159,900
TOTAL	12,162,607	12,982,507

USES	Construction	Permanent
Land	2,760,000	2,760,000
Hard Costs	6,240,499	6,240,499
Relocation	586,000	586,000
Architecture & Engineering	441,050	441,050
Local Fees	184,000	184,000
Financing Fees & Interest	864,883	864,883
Legal	55,000	55,000
Reserves		326,488
Other Costs	495,663	538,686
Developer Fee	535,511	985,900
TOTAL	12,162,607	12,982,507

The rehabilitation of the buildings modernized the building’s major systems, provided for improved livability and ADA accessibility, and restored the architectural charm of courtyard-style buildings. The architect, JS Egan Design, gave each building a unique Moroccan, Spanish, Art Moderne, and Art Deco themed facade, complete with lush, central courtyard-style designs that provide plenty of light and fresh air to each unit. In addition, Enterprise Community Partners Green Communities standards were used in the project’s design, with sustainable elements including water efficient plumbing fixtures, energy star lighting, appliances, windows, doors, heating and cooling systems; low or no emission paints, flooring and cabinetry; and drought tolerant landscaping.

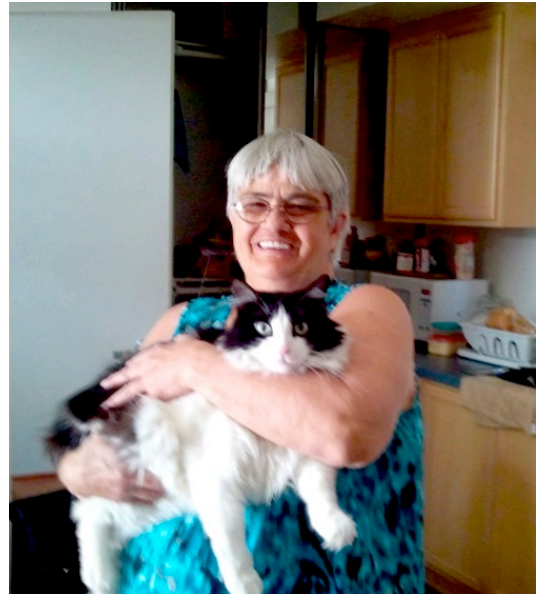
Supportive Preservation: A Path to Recovery and Community Integration

For homeless adults living with serious mental illness, independent housing that provides supportive services in transit and pedestrian friendly neighborhoods is instrumental to help them work toward community reintegration and housing stability. The Courtyards was among one of the first projects in California to use MHSA capital funds and operating subsidy to create permanent supportive housing for homeless individuals with mental illness.

To ensure each tenant's housing retention and stability, the MHA Village provides a supportive services program for The Courtyards, including resident service coordination for all tenants and specialized mental health and case management services for the 23 permanent supportive housing units. With its focus on recovery, this program helps people with mental illness live, work, and be involved as independent members of their community.

LBHDC Chair Pay Brown praised the project saying, "This development shows how this type of rehabilitation not only revitalizes a neighborhood, but can help a vulnerable segment of our population stay off the streets, in a place that they can be proud to call home." Resident Alexandria Means describes the immense impact The Courtyards has had on her life: "Without a home you do everything you can to survive, but it is difficult to thrive. I'm so fortunate and feel so blessed and proud to live in The Courtyards in Long Beach, it's a miracle. Every single day I wake up, look out the door, and think, I'm home, this is amazing."

None of this could have been achieved without perseverance on the part of Clifford Beers and the support of many partners at LBHDC, CalHFA, TCAC, HCD and Wells Fargo Bank, all structured with the support and expertise of Amy Anderson of CHPC. "It's great having someone like Amy working on our team. Her depth of knowledge of the financing world, and her strong relationships with various lenders and governmental agencies really helped to keep the process moving along. I always felt like our best interests were very well represented. Without CHPC on our side we may not have gotten ourselves to the ideal place we did," said Sarah White.



PRESERVATION 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, please contact our Housing Preservation Specialist, Nadia Shihab at nshihab@chpc.net or 415-433-6804 x 316, or our Housing Policy Manager, Marilyn Wacks at mwacks@chpc.net or 415-433-6804 x 313.

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