



HOUSING PRESERVATION NEWS

RCD's Erna P. Harris Court: Supportive Housing for Formerly Homeless in Berkeley "Goes Green"



Editor's Note:

This case study is our second in a row highlighting the adaptive reuse of an older motel to provide supportive housing for the formerly homeless and individuals with disabilities. It also highlights the need and opportunity for owners of older affordable rental housing properties to green them through a subsequent renovation, which in this case was made possible by technical assistance and funding from several local nonprofit intermediaries, including the Bay Area Office of the Local Initiatives Support Corporation (LISC).

Project History

When Berkeley-based Resources for Community Development (RCD) first began working on Erna P. Harris Court in the City of Berkeley in 1991, home prices in Berkeley were among the highest in the nation and the City's historically lower income neighborhoods were rapidly gentrifying. Nevertheless, RCD's initial announcement of its vision to transform the 1950's era dilapidated motel on University Avenue into an affordable community for the formerly homeless was met with strong opposition from neighborhood residents, who had fears about the presence of formerly homeless people in their backyards.

By 1994, RCD had garnered enough local community support to prevail in a lengthy entitlement process and fought off a lawsuit to transform the property into 35 units of affordable, supportive housing for homeless and disabled adults, including five units accessible to those with physical disabilities. Unfortunately the costs of the two-year construction delay and the highly charged politics around the project constrained an already tight budget so that RCD was able to correct only the most egregious problems of the old motel at the time.

By 2008, it had become clear that additional work was required to extend the useful life of the property and to keep it affordable for the long term. In the meantime, advancements in green building had begun to take hold in California's affordable housing community, enabling RCD to rehabilitate the property using the latest energy-efficient systems, thus significantly lowering the life cycle costs of the property.

Financing Challenges: ARRA and TCAC's Backfill Program

As an older special needs project, Erna P. Harris Court was one of the first properties RCD looked at when they reviewed their existing portfolio to identify priorities for additional rehabilitation and long-term preservation.

The project got off to a good start when RCD, working with CHPC, obtained an award of state Multifamily Housing Program Supportive Housing (MHP-SH) funds. In addition, RCD had a previous \$1.6 million CHRP (California Housing Rehabilitation Program) loan from the California Department of Housing and Community Development (HCD), which they were able to assume and finance. However, RCD was forced to reconsider their strategy of marrying the MHP funds with 4% Tax Credits when they ran into tax structuring problems – namely extreme negative capital accounts left over from the 1995 makeover – which would very likely limit their ability to attract an investor. This concern was compounded by the collapse of the capital markets in 2008 and the subsequent evaporation of demand for LIHTC investment in smaller rehabs especially of supportive housing. “Our financial consultant, Meg McGraw-Scherer, just kept running different scenarios because it was so challenging,” recalls RCD Senior Project Manager Carolyn Bookhart.

To add to the unexpected financing challenges, the project's ability to rely on the MHP-SH permanent loan commitment was called into question when HCD was unable to reassure banks providing construction financing that it had sufficient cash on hand to fulfill its take-out funding obligations. Thanks to advocacy by CHPC and others, the California Tax Credit Allocation Committee (TCAC) was able to step in with a new American Recovery and Reinvestment Act (ARRA) inspired loan program designed to backstop the MHP dollars.

In late 2009, Erna P. Harris received preference in the queue for ARRA Tax Credit Assistance Program (TCAP) funding because it was supportive housing and received a \$3,164,004 million TCAP loan to replace the MHP-SH loan, allowing the project to move forward toward its construction start. RCD then successfully exchanged the project's 4% Tax Credits for a \$1,795,850 million Section 1602 Tax Credit Exchange Program (TCEP) allocation, another program made possible by advocacy by CHPC and others in ARRA.

CHPC Senior Financial Consultant Meg McGraw-Scherer summed up the successful strategy: “As a 4% Tax Credit deal, we were able to access MHP backstop funds as well as 4% exchange dollars, which then allowed us to finance the project completely without an investor. If that hadn't happened, we would have been unable to finance the deal using Tax Credits because of the twin challenges of the negative capital account structure and the lack of investor interest.”

A critical piece of funding came from the Bay Area Office of the Local Initiatives Service Corporation (LISC) in the form of a \$740,000 construction and \$350,000 permanent loan at a time when conventional lenders weren't willing to fill these gaps. Other financial support came from the City of Berkeley, Alameda County, Federal Home Loan Bank and Wells Fargo, Enterprise Community Partners, and Stopwaste.org.

SOURCES	Construction	Permanent
TCAC Exchange Funds	1,346,888	1,795,850
HCD MHP (TCAP Funds)	2,669,124	3,164,004
LISC Loan	750,000	350,000
City of Berkeley New Loan	400,000	400,000
Alameda HOPWA Funds	500,000	500,000
AHP	350,000	350,000
Green Building Grants	21,000	21,000
Income from Operations	186,812	125,000
Costs Deferred Until Perm	482,030	-
Deferred Developer Fee	164,448	164,448
TOTAL	6,870,302	6,870,302

USES	Permanent
Land & Building	365,732
Hard Costs	3,911,592
Arch, Engineering & Legal Fees	473,640
Finance & Syndication Costs	162,371
Construction Interest	82,460
Relocation Funds	310,229
Reserves	238,640
Soft Costs	488,690
Developer Fees	836,948
TOTAL	6,870,302

LISC Steps Up to Support Enhanced Green PNA

Early in the design phase of the current rehabilitation, RCD secured technical assistance through Bay Area LISC to expand the standard Property Needs Assessment (PNA) into an enhanced Green PNA that incorporated an analysis of potential energy upgrades, indoor air quality improvements, sustainable material and system choices, and long-term durability. As a result, the overall scope of work for the rehab includes significant improvements in all these areas. In addition, the new landscaping includes drought-tolerant and native plant selections and a variety of new filtration options that mean Erna P. Harris Courts will now treat 100% of its storm water before it starts its path towards the San Francisco Bay.

“The technical assistance from LISC was so helpful,” said Carolyn Bookhart, Senior Project Manager. “It made a huge difference to take the Green PNA approach. Not only are you saving money in the long-term by creating more energy-efficient systems, but you’re also creating a higher quality of housing when you do things like improve indoor air quality. And those improvements directly support our mission. “

Erna P. Harris Court was also one of two RCD properties selected to participate in the Build-It-Green Pilot Program for Multi-Family Green Building Guidelines, Green Point Rated System for Existing Buildings (The Arbors in Richmond is the other). Thanks to a grant from Enterprise Community Partners, RCD also had a pre-rehabilitation building audit that allowed them to compare utility costs and energy consumption before and after the upgrades, providing an important new information base for RCD and the green building community.

With the help of these partners, RCD transformed the property’s systems, exterior, and overall structure to last for the next 20-30 years. The building will also be more efficient, more durable, and seismically safe, with improved air quality and accessible common spaces and ADA units.

Supporting Residents with Case Management, Counseling and Employment Services

Erna P. Harris Court was originally set up as a supportive housing model thanks to assistance from the Corporation for Supportive Housing (CSH), which helped RCD set up a comprehensive service approach with a number of service providers to provide a variety of services to residents. “Supportive housing is important to provide, but it’s harder to do because it’s deeply subsidized, the rents are low, and it has a lot of resident services. But it’s a very important component of the housing spectrum that needs to be supplied and supported,” said RCD’s Bookhart.

Among the service providers that work with the local residents, Lifelong Medical provides case management and group counseling, Tool Works provides employment assistance services and training, and Bonita House provides mental health counseling. The services are shared with University Avenue Homes, another RCD development down the street.

Who Benefits

Erna P. Harris Court consists of 35 affordable apartments, including 25 studios and 10 one-bedroom units. Ten units serve low-income households at or below 50% AMI and 24 units serve very low income households at or below 30% AMI. There are also rent subsidies in place on 31 of the 35 units, with 6 units covered by Shelter plus Care and 25 covered by project based Section 8 made available through the local Housing Authority.

Type	Area Median Income (AMI)	AMI for 1-Person Household	Number of Units	Avg. Square Feet
SRO	30%	\$19,000	25	400 sf
1 BR	50%	\$31,650	10	600 sf

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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