

AFFORDABLE HOUSING

FINANCE

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2011 FORECAST

SOLVING NEXT YEAR'S PUZZLE

What challenges and opportunities you can expect when assembling debt and equity



Green to the Rescue

BY BENDIX ANDERSON

BALTIMORE

Dozens of vacant townhouses stood boarded up for more than a decade at Poppleton Cooperative, an affordable housing community in West Baltimore.

The community teetered on the brink of default and demolition for years, and a plan to save it fell apart in the recent financial crisis.

But this past October, workers broke ground on an ambitious plan to redevelop the Cooperative's battered townhouses and nearby vacant lots into 111 affordable, energy-efficient rental townhouse apartments.

"Green retrofit funds really saved the project," says Greg Gossard, principal with Hampstead Development Group in San Diego.

A complicated plan

Poppleton Cooperative was originally created in 1982 for 96 very low-income households who owned their homes with help from a federal Sec. 8 project-based operating subsidy. But by 1999, half of the townhouses were emp-

ty, and the property was in default with the federal Department of Housing and Urban Development (HUD).

Residents struggled to save their homes through HUD's Mark to Market program and eventually partnered, in 2005, with Hampstead. The affordable housing developer had already successfully renovated more than 120 nearby affordable apartments at Poppleton Place, but Poppleton Cooperative, now known as Poppleton II Apartments, was a much tougher challenge.

"It's definitely the most complicated deal we've ever done," says Gossard.

Hampstead negotiated to gain control of 28 city-owned properties scattered throughout, including nearly a dozen vacant and vandalized townhomes once operated as public housing.

At Poppleton II, the developer planned to renovate 86 row houses, demolish 19 too damaged to save, and build 25 new townhouses. Low-income housing tax credits, tax-exempt bonds, and a layer cake of local funding sources would pay for the work.

But the plan collapsed in the fall of 2008 when Hampstead's tax credit investor left the deal just three weeks before

the partners planned to close their construction financing and break ground.

Retrofit program to the rescue

A \$1.5 million grant from HUD's Green Retrofit Program helped revive the deal. Also, a new development partner, the National Housing Trust (NHT), joined the project this year, bringing

At Poppleton II Apartments, hundred-year-old row houses stand next to vacant lots and townhouses developed in the 1980s.

years of experience in green redevelopment and strong balance sheets to help underwrite Poppleton II's

construction loan.

Renovation will cut Poppleton II's energy bills by 75 percent with new Energy Star-rated windows and appliances; insulation that meets a high, R-49 rating; and efficient new heating and air-conditioning systems. Efficient fixtures will also cut the water bills by almost half, according to green building experts at the NHT.

It will cost a total of \$24.2 million to redevelop the community—including \$7.9 million to pay off an original HUD loan.

The biggest pieces of the financing include a \$6.7 million loan from HUD's Mark to Market program and a \$5.4 million loan funded with tax-exempt bonds.

Poppleton II also received \$4.5 million from the sale of 4 percent tax credits, syndicated to investors by Stratford Capital Group for \$0.60 on the dollar.

That's much less than the \$0.84 pricing developers expected before the financial crisis. To help fill the gap, the city of Baltimore provided an extra allocation of HOME funds, bringing the total HOME funds received by Poppleton II to \$2.95 million.

But the developers credit the Green Retrofit Program, which is funded with federal stimulus dollars, with saving the deal. ■