CALIFORNIA HOUSING PARTNERSHIP CORPORATION

HOUSING PRESERVATION NEWS

Eden Housing Perseveres in Transforming Low Income Community in Alameda County

Project Background

The preservation of Ashland Village has been a welcome change for the residents of the 21-year old 142-apartment community in unincorporated Alameda County. When Eden Housing set out to acquire and rehabilitate Ashland Village in May of 2008, the Section 8 contract was one year from expiration threatening the ability of its very low income residents to remain in their homes and the entire property was in need of extensive rehabilitation.

Despite unanticipated regulatory challenges around the "Ten-Year rule" (see below), the melt-down of the housing finance markets, and a state budget crisis that threatened to freeze a critical resource, Eden succeeded not only in preserving the affordability of the apartments but also in creating a healthier and more supportive environment for its residents. Today, the newly acquired and renovated property includes interior and exterior upgrades, lighted paths with new landscaping to improve security, a playground, and a beautiful community center that now serves as a technology, training, leadership, and community building hub for Ashland Village's youth and residents. Equally important, Eden's work has preserved the long-term affordability of the property for low income residents earning between 35% and 60% of the area median income (AMI).

"Ashland Village faced unimaginable challenges related to the unprecedented

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downturn in the economy. In the end, the project was successful because Eden is fortunate to work with so many terrific partners and elected officials. Their collective commitment to affordable housing and the Ashland community is what made this project happen," said Linda Mandolini, Executive Director of Eden Housing.
"
In recognition of this achievement, Ashland Village was selected as finalist in the Reader's Choice Awards in the Preservation Category for the Affordable Housing Finance Magazine (AHF) and received national recognition through the Affordable Housing Tax Credit Coalition's Tax Credit Excellence Awards.

Legislative Challenges
At first, Ashland Village seemed like a typical older federally assisted rental property that had been well managed but needed additional investments in lighting, security and fixtures. The owner of the Section 8 property in the unincorporated area of Ashland in Alameda County had passed away and its Section 8 contract was set to expire March 31, 2009 putting the long-term affordability of the apartments at-risk. The owner's sons did not want to retain ownership of the property, but wanted to find a way to sell it such that it remained affordable to the residents. Eden planned to purchase Ashland Village with financing from the state and from Alameda County. Months before closing, however, Eden Housing discovered that Ashland Village's ownership structure made it technically ineligible for Low-Income Housing Tax Credits (LIHTC) because it failed to conform to the "Ten-Year rule", which requires that there not have been a transfer of more than 49% interest in the property in the ten years preceding the application for Tax Credits.

With the committed leadership of Representatives Barbara Lee and Pete Stark, Eden Housing fought the uphill battle to keep provisions in the Housing and Economic Recovery Act (HERA) of 2008 to reform the 10-year rule to exempt at-risk federally assisted developments like Ashland Village. The passing of HERA was a big victory not only for the low-income families and preservation advocates in California, but also for communities across the country seeking to preserve similar properties.

Financial Challenges and Heroes
While the success of HERA was a huge victory for Eden Housing, they soon faced another roadblock when their original mortgage lender was taken over by the FDIC in the midst of the national economic crisis. The search for a new lender was further complicated when the Pooled Money Investment Board (PMIB) of California froze state bond sales and prohibited the state from issuing enforceable financing commitments, including the Proposition 1C Multifamily Housing Program (MHP) bond financing that was providing a $7.7 million permanent loan for the project. Eden Housing responded by persuading the County of Alameda

Redevelopment Agency (RDA) to agree to allow its construction-only funding to be used as permanent funding in the event the state was unable to fund the MHP loan. Bank of America, the construction and permanent lender, accepted this solution and agreed to close its loan. Throughout this period of uncertainty, Merritt Community Capital Corporation remained committed as the tax-credit investor, holding its extremely competitive pricing at $0.98 for more than a year.

"Merritt has shown a long-term commitment to non-profits in the Bay Area, " said Richard Mandel, CHPC Director of Financial Consulting. "We find it very encouraging that an investor whose senior staff were HUD alumni themselves showed such confidence in making a long-term investment in a Section 8 preservation project."

In addition to acquiring and preserving the building, Eden made more than $8 million in renovations including a new community room that will serve youth through organized after-school activities, community-building and educational programs. Resident youths will also participate in Eden's "Digital Connectors" technology and leadership training program, which was made possible by Congresswoman Barbara Lee's introduction of a special appropriation to run a technology program at the center to train the youth of the community in hardware and software skills, video production, leadership skills, and community service. As a result of the improvements to the property, including lighted pathways and new community room, there has been a visible reduction in crime in the community.

"The changes have really helped to bring the community together," said Corey Walker, Ashland Village Property Manager. "Now, people are coming here asking if they can rent an apartment. They don't even realize it's affordable housing."

Major funding partners include the County of Alameda Redevelopment Agency, County of Alameda Housing & Community Development, Bank of America, Merritt Community Capital, California Department of Housing and Community Development, and the U.S. Department of Housing and Urban Development. Key partners in putting together the complex financing included the California Housing Partnership, Mosaic Urban Development and the law firm of Gubb and Barshay.

SOURCES	**Construction**	**Permanent**
Tax-Exempt Construction Loan (fixed rate)	19,304,383	-
Tax-Exempt Permanent Bond	-	4,855,000
Tax-Exempt Section 8 Bond	-	7,229,000
HCD Multifamily Housing Program (MHP)	-	7,720,000
County of Alameda Redevelopment	6,500,000	1,300,000
County of Alameda HOME	1,096,631	1,096,631
Income from Operations prior to Conversion	1,153,190	1,153,190
Deferred Developer Fee	1,290,000	1,290,000
Capital Contributions		
General Partners	10,000	10,000
Limited Partners	1,250,000	7,599,618
Total Sources	**30,604,204**	**32,253,439**

USES	**Construction**	**Permanent**
Land and Structures	18,139,334	18,139,334
Hard Costs	6,731,951	6,731,951
Architecture, Engineering, and Local Fees	1,294,014	1,294,014
Financing, Syndication, and Construction Interest	1,294,972	1,294,972
Reserves	-	1,410,133
Legal and Other Costs	643,933	883,035
Developer Fee	2,500,000	2,500,000
Total Uses	**30,604,204**	**32,253,439**

PRESERVATION SERVICES FOR NONPROFIT AND LOCAL GOVERNMENT STAFF

CHPC provides financial consulting, 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 13, or our Housing Policy Manager, Marilyn Wacks at mwacks@chpc.net or 415-433-6804 x 313.

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