



## Former Hospital, Movie Set Becomes Affordable Senior Housing

**BRAD STANHOPE, ASSIGNMENT EDITOR, NOVOGRADAC & COMPANY LLP**

**F**rom company hospital to Hollywood set to affordable housing.

The site of the Hollenbeck Terrace Apartments in Los Angeles made a century-long journey through the history of Southern California and is now positioned to serve seniors well into the 21<sup>st</sup> century. Thanks to equity from low-income housing tax credits (LIHTCs) and historic tax credits (HTCs), the iconic Southern California structure is now an affordable apartment complex.

“This is easily my favorite rehabilitation that I’ve financed,” said Perica Bell, director and community development financial relationship manager for tax credit investor Union Bank. “This wasn’t rehabilitating a residential property; it was transforming a historic hospital into an affordable community for seniors. I visited the hospital and witnessed the transformation, not only with respect to the physical space, but with the larger surrounding community.”

Hollenbeck Terrace is a space with a legendary history, including being used as a site for suspenseful TV shows and movies, including *Se7en*, *True Blood*, *Dexter* and *Buffy the Vampire Slayer*.

Now it’s the Hollenbeck Terrace Apartments, with 97 affordable rental homes for seniors. “It was not being used for its highest and best use,” Bell said. “It was a site for TV and movie shoots, but now it is housing and serves as a community anchor that can spur further revitalization.”

Jim Kroger, a partner in the Walnut Creek, Calif., office of Novogradac & Company LLC, handled the tax credit accounting for the development. He said Hollenbeck Terrace is a high-profile example of how well the tax credit programs work.

“This is a building with a rich history, but it had fallen into disrepair,” Kroger said. “Thanks to the equity from the tax credits, it’s not only providing housing for seniors, it’s preserved a beautiful building and created a source of pride for the community.”

### Hospital to Abandonment

The Santa Fe Railroad Hospital opened in 1904 for employees of the Santa Fe Railroad Company. The hospital remained for decades, but use declined as more employees moved to conventional medical services. The original buildings were demolished



*Image: Courtesy of Guettler Photography*

**Hollenbeck Terrace Apartments feature a roof deck, above the 97 affordable senior apartments.**

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in 1938 and a main building was erected, with other buildings added over time.

By 1980, the Santa Fe Railroad sold the property to Linda Vista, a managed health care company. As the neighborhood worsened, the hospital focused more on such things as victims of drug overdoses and gang shootings. In 1991, it shut down.

The site was abandoned for years, while film crews used its decaying halls for films and music videos. It was also the site of ghost hunting and vandalism.

**Rescuing a Landmark**

Developer AMCAL acquired the property in 2011 and partnered with East LA Community Corporation (ELACC) to rehabilitate it, with a three-year renovation plan in two phases, starting in 2012. Linda Vista Senior

Apartments opened in 2013 on the site of the hospital’s former nurses’ dormitory and Hollenbeck Terrace followed in 2015.

“Hollenbeck provides a community for seniors,” said Johanna Gullick, managing director for Union Bank’s Community Development Finance group. “It’s a place anyone would want to live. It’s gorgeous and [has ample amenities].”

**Apartments, Amenities**

Hollenbeck Terrace includes three large community rooms, two lounges, a dining room, two commercial kitchens, a computer room, a library, a game room, supportive services and a manager’s office. It also has on-site laundry facilities on each floor; secured parking; four outdoor patios with a resident garden, barbecue

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and covered seating and dining terraces; and lobby and elevator lounges. There is also a roof deck.

LifeSTEPS provides on-site complimentary social services programs, including senior vocational skills, computer classes, financial literacy and a full-time equivalent case manager. Twenty-five percent of the apartments are reserved for households in the “housing for health” program, which is funded through the Los Angeles County Department of Health Services and provides housing opportunities and services to homeless, high-use consumers of the county’s health care system.

Paige Horn, project manager/development at AMCAL Multi-Housing, said the developers focused on the interior design of the property, with long corridors no longer resembling sterile hospital hallways thanks to flooring patterns and intricate, custom lighting pendants break up the former monotonous design. Each floor has a unique character and theme, with all community spaces featuring elegant decoration, artwork and furniture that relates to the historic nature of the building.

Horn said one of the most interesting aspects was the removal of a portion of the roof to create a three-story atrium that provides light and windows for surrounding rental homes set deep in the building. She also said the refurbishment is most obvious at the original entry of the building, which is now the residential lobby. “It features travertine floors and mahogany paneling,” she said.

Gullick expressed appreciation for the high ceilings, the more than 5,000 square feet of community space, the large library and community room.

### **Saving Hollenbeck’s History**

As a building receiving HTCs, the development focused on the preservation of historic features, such as the original Linda Vista marble entry way and Santa Fe tile.

Horn said there were some renovations that were required by the Secretary of Interior’s Standards for historic preservation but weren’t covered by HTCs, since they didn’t meet the IRS definition of qualified rehabilitation expenses. That included the preservation of any aspect on the exterior—such as walkways, landscaping, courtyards and driveways. Horn said that the redevelopment included removing remaining hospital systems and all unnecessary infrastructure, as well as waste left behind from movie and TV shoots.

She said the building was well positioned for renovation to housing.

“With generously scaled corridors preserved, the historic patient rooms were easily redesigned as apartments because of their essentially residential-scaled spaces, with windows providing ample natural light,” said Horn.

It wasn’t all easy. “Patient medical treatment area and other ‘back of the house’ hospital uses such as the boiler room and morgue were particularly challenging to use because they weren’t designed to be pleasant, habitable spaces,” Horn said.

At the end, Hollenbeck Terrace met its goals. “All substantial rehabilitations have their share of challenges,” Bell said. “This was a successful adaptive re-use of the hospital while preserving the historic architectural character of the building.”

### **Pioneering Financing**

Horn said the development pioneered a collaborative and unique public-private financial structure, which included a significant challenge, particularly because of the expense of the historic renovations. In addition to the LIHTC and HTC equity, the financing structure included Neighborhood Stabilization Program funds, local tax-exempt bonds issued by the city of Los Angeles, Affordable Housing Trust fund money from the Los Angeles Housing and Community Investment Department and Citi Community Capital debt.

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Union Bank invested \$12.5 million in LIHTC equity and \$5.9 million in HTC equity. Bell said that Union Bank has partnered with AMCAL on 12 affordable housing developments. “Through our partnership with them, we know they’re strong partners,” Bell said.

She said the combination of LIHTCs and HTCs didn’t create complexity for Union Bank. “When we look at deals, we don’t use separate underwriting processes [for different tax credits],” Bell said. “We look at opportunities with a unified lens. From the start, we knew we would invest in both.”

**Neighborhood Boost**

Those involved say the Hollenbeck Terrace development’s impact goes beyond housing. “In addition to preserving a community landmark and repurposing it to serve a genuine community need, the rehabilitation has increased safety to the surrounding neighborhood

and has revitalized the adjacent Hollenbeck Park,” Horn said.

“It’s been very well received,” Gullick said. “It’s one of the most unique adaptive reuse developments in my career—and that’s 30 years. This development is a lynchpin in the long-term renovation of the area.”

Los Angeles City Councilman Jose Huizar sees the development as a continuation of the historic purpose of the property. “With the opening of the Linda Vista Senior Apartments in 2013, and now with the Hollenbeck Terrace Apartments, these historic buildings will continue to be a place of service, just like Linda Vista Hospital,” said Huizar. “Many thought this historic space would never be activated, but through the efforts of AMCAL, ELACC, our city’s Housing and Community Investment Department and all our partners, we are providing critical affordable housing, jobs and services here in Boyle Heights.” ♦

**Hollenbeck Terrace**

**FINANCING**

- ♦ \$12.5 million in low-income housing tax credit (LIHTC) equity from MUFG Union Bank NA
- ♦ \$8.9 million Affordable Housing Trust Fund (HOME) from Los Angeles Housing and Community Investment Department
- ♦ \$5.9 million in historic tax credit (HTC) equity from MUFG Union Bank NA
- ♦ \$4.7 million Neighborhood Stabilization Program loan from Restore Neighborhoods LA Inc.
- ♦ \$4.1 million permanent loan from Citi Community Capital
- ♦ \$900,000 million deferred developer fee
- ♦ \$695,000 Quimby Fee waiver

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