



RAD Program Gives Staten Island Housing a Fresh Start

TERESA GARCIA, ASSIGNMENT EDITOR, NOVOGRADAC & COMPANY LLP

Arlington Terrace Apartments in Staten Island, N.Y., was falling apart—literally.

For decades, the 536-apartment affordable housing development was plagued by chronic mold problems, roach and rodent infestations, chipped lead paint, missing smoke detectors, broken pipes and leaky ceilings. The New York City Department of Housing Preservation & Development (HPD), which supervises the development, reported that the property had “thousands of violations for its poor living conditions.” Leveraging public and private investments in coordination with the U.S. Department of Housing and Urban Development (HUD) Rental Assistance Demonstration (RAD) program, Arlington Terrace Apartments completed a propertywide overhaul in late 2016 and is now called North Shore Plaza.

“RAD is what really helped transform this property, replacing the existing tenant-based rental subsidy with project-based subsidy,” said Paula Roy Carethers, executive vice president of real estate for New York City Housing Development Corporation (HDC). HDC partnered with HUD and HPD to implement the

RAD program, which facilitated financing for the acquisition and redevelopment of the property.

The redevelopment was led by New York City-based Preservation Development Partners, a partnership formed by K&R Preservation and BFC Partners. “The previous owners had gone through a number of workouts and they didn’t have the money to fix anything at that point,” said Francine Kellman, co-principal of Preservation Development Partners. “The only way to save the property was to come in on a white horse and that’s what we did.”

History and Redevelopment

Arlington Terrace was built in 1975 under the Mitchell-Lama program, a statewide initiative that offers low-interest mortgages and tax abatements to encourage development of affordable housing for moderate- and middle-income families. The property fell into disrepair over the years and there were insufficient funds to make the necessary capital improvements. In the early 2000s, the New York City Housing Development Corporation (HDC) twice provided repair loans to Arlington Terrace for basic improvements to the property, including boilers

continued from page 1

and heating system updates. Still, more substantial upgrades were needed.

“The building needed a lot of work,” said Brian Raddock, co-principal of Preservation Development Partners. “We pretty much did everything: All 536 units have new bathrooms and kitchens, new electrical and lighting.” Roofs were replaced, the buildings’ façade updated and advanced security measures added. Preservation Development Partners also repaved the parking lot and installed a new playground.

In previous years, Arlington Terrace experienced significant issues with crime. To help increase safety,

Preservation Development Partners installed new security cameras throughout the property.

In addition to its physical improvements, North Shore Plaza will also offer new social services, including free job training for about 850 local residents on how to gain and keep employment in retail.

Financing

“Affordable housing represents one of the strongest models of public-private partnership in our country,” said Eric Enderlin, president of HDC. “Numerous government agencies and private partners came together to provide the financing and repair work

continued on page 3

Image: Courtesy of Preservation Development Partners

The newly named North Shore Plaza was renovated under the U.S. Department of Housing and Urban Development (HUD) Rental Assistance Demonstration (RAD) program.



continued from page 2

needed to bring this extremely distressed project back to life and improve its long-term sustainability.”

Financing included \$45 million in tax-exempt bonds, including a credit enhancement from Freddie Mac. Wells Fargo acted as the seller and servicer on behalf of Freddie Mac. Wells Fargo CLI also made an equity investment of more than \$26 million in the 4 percent low-income housing tax credits (LIHTCs).

“This was one of the first RAD deals we did in New York, which adds a layer of complexity,” said Rachel Grossman, managing director for Wells Fargo. “Although the process takes a great deal of time and patience, ultimately tenants get an improved building with most keeping the same rent.”

The property’s conversion through the RAD program secured project-based Section 8 subsidies, providing

long-term stability and affordability for residents. Carethers said keeping the property viable and affordable is a benefit to the entire community. “This property is a great example of how preservation can stabilize neighborhoods,” said Carethers. “By providing a diversity of housing serving a wide range of incomes, we are building greater opportunities for our city’s residents.” ❖

North Shore Plaza

FINANCING

- ◆ \$75 million in financing from the New York City Housing Development Corporation (HDC)
- ◆ \$45 million in tax-exempt bonds with a credit enhancement from Freddie Mac
- ◆ \$26 million in 4 percent low-income housing tax credit equity from Wells Fargo CLI

This article first appeared in the June 2017 issue of the Novogradac Journal of Tax Credits.

© Novogradac & Company LLP 2017 - All Rights Reserved

Notice pursuant to IRS regulations: Any U.S. federal tax advice contained in this article is not intended to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties under the Internal Revenue Code; nor is any such advice intended to be used to support the promotion or marketing of a transaction. Any advice expressed in this article is limited to the federal tax issues addressed in it. Additional issues may exist outside the limited scope of any advice provided – any such advice does not consider or provide a conclusion with respect to any additional issues. Taxpayers contemplating undertaking a transaction should seek advice based on their particular circumstances.

This editorial material is for informational purposes only and should not be construed otherwise. Advice and interpretation regarding property compliance or any other material covered in this article can only be obtained from your tax advisor. For further information visit www.novoco.com.

EDITORIAL BOARD

PUBLISHER

Michael J. Novogradac, CPA

EDITORIAL DIRECTOR

Alex Ruiz

TECHNICAL EDITORS

Michael G. Morrison, CPA

James R. Kroger, CPA

Owen P. Gray, CPA

Thomas Boccia, CPA

Daniel J. Smith, CPA

COPY

SENIOR EDITOR

Brad Stanhope

ASSIGNMENT EDITOR

Teresa Garcia

SENIOR WRITER

Mark O'Meara

CONTENT MANAGEMENT SPECIALIST

Elizabeth Orfin

CONTRIBUTING WRITERS

Christian Ayson

Elaine Chang

Rich Larsen

Peter Lawrence

Bill MacRostie

Thomas Stagg

John Tess

ART

CARTOGRAPHER

David R. Grubman

PRODUCTION

Alexandra Louie

James Matuszak

Jesse Barredo

CONTACT

CORRESPONDENCE AND EDITORIAL SUBMISSIONS

Alex Ruiz

alex.ruiz@novoco.com

415.356.8088

ADVERTISING INQUIRIES

Carol Hough

carol.hough@novoco.com

415.356.8040

EDITORIAL MATERIAL IN THIS PUBLICATION IS FOR INFORMATIONAL PURPOSES ONLY AND SHOULD NOT BE CONSTRUED OTHERWISE.

ADVICE AND INTERPRETATION REGARDING THE LOW-INCOME HOUSING TAX CREDIT OR ANY OTHER MATERIAL COVERED IN THIS PUBLICATION CAN ONLY BE OBTAINED FROM YOUR TAX ADVISOR.

ADVISORY BOARD

LOW-INCOME HOUSING TAX CREDITS

Bud Clarke

BOSTON FINANCIAL INVESTMENT MANAGEMENT

Jana Cohen Barbe

DENTONS

Tom Dixon

BOSTON CAPITAL

Rick Edson

HOUSING CAPITAL ADVISORS INC.

Richard Gerwitz

CITI COMMUNITY CAPITAL

Rochelle Lento

DYKEMA GOSSETT PLLC

John Lisella

U.S. BANCORP COMMUNITY DEV. CORP.

Philip Melton

BELLWETHER ENTERPRISE

Thomas Morton

PILLSBURY WINTHROP SHAW PITTMAN LLP

Mary Tingerthal

MINNESOTA HOUSING FINANCE AGENCY

Rob Wasserman

U.S. BANCORP COMMUNITY DEV. CORP.

PROPERTY COMPLIANCE

Michael Kotin

KAY KAY REALTY

Michael Snowden

HIGHRIDGE COSTA HOUSING PARTNERS

Gianna Solari

SOLARI ENTERPRISES INC.

HOUSING AND URBAN DEVELOPMENT

Flynnan Janisse

RAINBOW HOUSING

Ray Landry

DAVIS-PENN MORTGAGE CO.

Denise Muha

NATIONAL LEASED HOUSING ASSOCIATION

Monica Sussman

NIXON PEABODY LLP

NEW MARKETS TAX CREDITS

Frank Altman

COMMUNITY REINVESTMENT FUND

Merrill Hoopengardner

NATIONAL TRUST COMMUNITY INVESTMENT CORP.

Scott Lindquist

DENTONS

Matthew Philpott

U.S. BANCORP COMMUNITY DEV. CORP.

Ruth Sparrow

FUTURES UNLIMITED LAW PC

Elaine DiPietro

BLOOMING VENTURES LLC

HISTORIC TAX CREDITS

John Leith-Tetrault

NATIONAL TRUST COMM. INVESTMENT CORP.

Bill MacRostie

MACROSTIE HISTORIC ADVISORS LLC

John Tess

HERITAGE CONSULTING GROUP

RENEWABLE ENERGY TAX CREDITS

Bill Bush

STEM INC.

Benjamin Cook

NEXTPower CAPITAL

Jim Howard

DUDLEY VENTURES

Forrest Milder

NIXON PEABODY LLP

© Novogradac & Company LLP

2017 All rights reserved.

ISSN 2152-646X

Reproduction of this publication in whole or in part in any form without written permission from the publisher is prohibited by law.