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Tenants Will Stay at Home as NYCHA's RAD Conversion Continues

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When RDC Development Corp. renovates affordable housing with a “tenant-in-place” approach, it means that almost literally.

“We consider our niche to be occupied renovations,” said Matthew Rooney, CEO of MDG Design + Construction (MDG), half of the joint venture that makes up RDC, along with The Wavecrest Management Team Ltd. (Wavecrest). “We love to do them.”

RDC recently earned the right to renovate 343 scattered-site apartments called the Betances cluster (a number that may grow to more than 1,000 apartments in coming months) in the Bronx, N.Y., through the U.S. Department of Housing and Urban Development’s (HUD’s) Rental Assistance Demonstration (RAD) program. The tenant-in-place renovations are important and RDC does it well—allowing tenants to sleep in their apartments every night and even remain in the apartment *during construction* if they want.

Part of that is solved by RDC doing construction in bite-size chunks. “There is nothing that takes more than two days at a time,” Rooney said, explaining

that the two-day period applies only to the larger projects like kitchen and flooring. “We’re able to finish sections of the apartment. The residents can come and stay every night ... or they can stay while we work.”

That’s unusual.

“When people talk about occupied rehabilitation, they usually talk about ‘checkerboarding,’ [moving tenants to vacant apartments],” Rooney said. “I don’t know how many contractors do this [true tenant-in-place model]. We see the benefit of it, because the assumption for a lot of residents is if they move out, they might not be able to move back in.”

RDC’s plans for Betances get high marks from the New York City Housing Authority (NYCHA), its partner in the RAD development. “There’s obviously a huge fear of displacement, especially in New York because it’s such a hot private market,” said Polina Bakhtiarov, deputy director for real estate develop-

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ment at NYCHA. “This is the motivation behind our tenant-in-place model.”

Susan Camerata, chief financial officer for Wavecrest, said practice makes perfect. “For us, this isn’t unusual,” Camerata said. “We don’t have a place to put everybody. Ideally, you would relocate the entire building, but the problem is we don’t have places to relocate. It becomes tenant-in-place out of necessity. At Ocean Bay [another RDC RAD property], we probably had 15 [households] that relocated, which is 1 percent. Most people want to stay where they are—some out of fear, others have the feeling of they want to know what is going to happen. I’m sure we’ll keep some of the vacant [apartments] offline for relocation and we’ll set up hospitality suites.”

Image: Courtesy of MDG Design + Construction LLC;
RDC Development Corp. handled a Rental Assistance Demonstration (RAD)-financed renovation of Ocean Bay. Now it will work on the Betances cluster in New York.

NYCHA’s Bigger Plan

The tenant-in-place plan is part of a substantial plan for RDC and

NYCHA—and is part of an even bigger plan by NYCHA to transfer 10 percent of its public housing to private property management and voucher-based payments via HUD’s Section 8 program.

NYCHA awarded its first RAD project in 2016: Ocean Bay (Bayside) in Far Rockaway, Queens—also done by RDC. Then NYCHA received approval a year ago for three more bundles of RAD conversions involving approximately 1,700 apartments scattered throughout the city in smaller buildings. The scattered sites are broken into three groups. In addition to Betances, there are 648 apartments in the Bronx and 691 in Brooklyn.

“This is a unique development and an innovative approach,” said Charlie Rhuda, CPA, a partner in Novogradac & Company LLP’s Boston office, who is working with RDC on the transaction. “NYCHA bills itself as the world’s largest landlord and this transaction

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and renovation plan can be a model for others of all sizes to follow.”

Rooney said the work is well underway, even though the deal hasn’t officially closed. “We put a lot of thought into how to maximize investment,” Rooney said. “We hit the ground running and are seeing what hurdles we can jump through. Right now, the deal structure isn’t finalized; we’re working through different options to see what works best with NYCHA.”

One significant difference from most other RAD developments is that Betances won’t use low-income housing tax credits (LIHTCs). Instead, RDC expects to fund the renovations with funding that will likely include a significant HUD 221(d)(4) loan.

“On the financing side, we’re exploring a slew of models,” Bakhteiarov said. “We want to close it this year.” Bakhteiarov emphasized the three pillars of NYCHA’s plan, which includes the initial infusion of capital for physical improvements, a change in property management and the ongoing increase in on-site social services.

History of Success

The past gives RDC confidence. The developer began RAD-financed renovations of 1,395 Ocean Bay apartments in early 2017.

“That was a transformative upgrade with new bathrooms, windows, kitchens, everything,” Bakhteiarov said. “Now, they’re doing common areas and working on the grounds with a flood wall and setting up a lot of energy redundancies. Ocean Bay was the largest single-site RAD conversion in the U.S. and now we’re hitting the ground with our plan to renovate [a total of] 15,000 units across New York City.”

The experience was educational.

“Ocean Bay gave us a new experience,” Camerata said. “[After the RAD conversion,] people have the [HUD Section 8] voucher and need to recertify with NYCHA. That bifurcation of roles meant we trained ourselves to be knowledgeable about the whole process. That’s what Ocean Bay gave us—a big heads up. It’s not our responsibility to recertify tenants—it’s the tenant’s responsibility, but many of them can’t do that. It’s to our benefit to educate and help them. It’s a win-win for everybody.”

The lack of a central location at Betances has Wavecrest seeking ways to create community awareness. “A big difference [from Ocean Bay] is [Betances is] a scattered site,” Camerata said. “There are a bunch of buildings. ... At Ocean Bay, they were all on one campus, but here it’s about how do you create a community over such a vast array of buildings?”

Starting the Renovations

While construction can’t begin until the financing closes, RDC has begun predevelopment work. It is already checking on such things as the building systems, seeking to upgrade them in the most cost-effective way. RDC will add LED lighting and focus on finishes, such as new kitchens, bathrooms and flooring.

“We want to make residents feel like it’s better than public housing,” Rooney said.

RDC is preparing by going to each apartment and finding out what needs to be done. Extra work will require a request for extra subsidy from NYCHA.

“We’re trying to develop the scope, but we want to hear from residents,” Rooney said. “It was awarded in January and we had the first tenant meeting [in early February]. It’s important to make sure we understand what the residents want.”

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The timeline is still up in the air. “We’re going at breakneck speed,” Bakhteiarov said. “We’re looking at August or September to close on this bundle of properties. I feel positive about it.”

Bakhteiarov said construction will start immediately after closing, similar to Ocean Bay, where construction began the day after the deal closed. The length of construction depends on some other factors.

“It’s going to depend on how many residents request to be relocated during renovations,” Bakhteiarov said. “With Ocean Bay, we’re in month 14 and pretty much done with the apartment interiors. We’ve always told [Betances] residents to expect an 18 to 24-month construction process.”

Helping Residents Understand

As with most things, communication is crucial. “It’s a public housing being transferred to private management, so communication is key,” Rooney said. “We have to make sure we say the right things to explain a very complicated program simply without scaring people. People see what’s happening elsewhere—people are being bought out or kicked out—and communication is really important.”

Adding to the potential confusion is that the list of tenants’ rights is lengthy in New York City public housing and those rights are protected by HUD and via a set of “guiding principles” created by the New

York City RAD Roundtable. That is a group of resident leaders and housing advocates who convened in 2016 to empower residents going through RAD conversion. “We want to make sure the residents feel like they’re gaining, not losing in private housing,” Rooney said.

Those involved say that the RAD program is a great solution for a massive problem. “RAD is an excellent program,” Camerata said. “It’s the only way NYCHA can get out of its horrific debt.”

Residents will expect improved service in addition to physical upgrades.

[The biggest difference will be] response to repair requests,” Camerata said. “NYCHA doesn’t have any live-in superintendents. They come to work every day and then leave. We will have two apartments set aside as superintendent apartments. There will be ownership property management presence there 24/7.”

NYCHA’s Bakhteiarov agrees, noting that her organization is overwhelmed with responsibility. “For us, this is a win-win,” Bakhteiarov said. “Our tenant load is too big, so the more we offload to our partners, the better we can manage our properties.”

So far, residents are excited. “The amazing response has been ‘I can’t wait. Can you start tomorrow?’” Camerata said. ❖

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