



## Developer Brings Hope to Homeless in Houston

**MARK O'MEARA, SENIOR WRITER, NOVOGRADAC & COMPANY LLP**

**A** Houston-based housing developer is bringing hope to those struggling with homelessness in Texas' most populated city.

New Hope Housing at Harrisburg opened in March and features 175 affordable, single-room-occupancy (SRO) apartments on the east side of downtown Houston. Developed by New Hope Housing, the mixed-use property also features office and retail space.

“Houston as a city has been ahead of the curve with addressing housing issues for the homeless—New Hope has been the most prolific developer of supportive housing for this tenant base,” said Jason Aldridge, vice president of originations at National Equity Fund (NEF), syndicator for the 4 percent low-income housing tax credits (LIHTCs). “They are very passionate about their cause and [they are] mission driven, which resonates with NEF as a nonprofit syndicator.”

The development provides housing and wrap-around services to those struggling with homelessness, or are at risk of homelessness, and who earn no more than 60 percent of the area median income (AMI).

However, the majority of their residents earn no more than 30 percent of AMI (well below \$15,000 annually in Houston).

“We are working on what is a dire problem throughout the entire state—the need for housing for people struggling with homelessness,” said Joy Horak-Brown, president and CEO of New Hope Housing. “For every 100 units of affordable housing that is needed at 30 percent AMI or below, there are 19 available affordable units in Houston.”

New Hope Housing has 1,001 SRO apartments in Houston, most of which are nestled close to downtown.

This is New Hope Housing's fourth LEED-certified development. Each apartment is furnished and includes a private bath and small kitchenette with a microwave and refrigerator. The property is on the city's rail line at the Coffee Plant/Second Ward station. Other amenities include a front desk staffed

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at all times, a business center, a library, a community room with a television and kitchen, and a courtyard.

In addition to housing, the development has wrap-around services for residents. There is a training room where residents can take many classes, from life skills to literacy to GED classes, and more. Support services include case management, access to primary and mental health care, legal assistance, health and nutritional counseling, and financial education and life-skills training.

Horak-Brown said New Hope Housing will make available whatever services the residents need. New Hope Housing will have its own service staff and welcome in outside service providers to meet the tenants' varied needs. "Wrap-around social services allow all people to remain stable with housing," said Horak-Brown.

"We understood the housing-first model," said Keith Burgess, director of community development capital at BBVA Compass, which was the end investor for the LIHTCs. "This was a great opportunity for BBVA to get involved."

New Hope Housing at Harrisburg also includes 7,000 square feet of office space on the fourth floor with an outdoor deck and views of downtown Houston. New Hope Housing will move its headquarters to this space. "It will be a hub for the entire east end," said Horak-Brown, who said the space will also be used by local foundations and corporations for community meetings.

There is 4,000 square feet of retail space on the first floor. "We want to help make this a commercial corridor," said Horak-Brown, who added that this space was included as a response to the requests from the neighborhood. She is hoping this space will feature a coffee shop or a casual eatery, like a pizzeria.

At press time, New Hope Housing at Harrisburg was about 65 percent occupied. Construction was complete in March.

## Financing

BBVA Compass provided \$10.5 million in 4 percent LIHTC equity, with NEF as the syndicator. BBVA Compass and NEF also purchased the bonds for \$13.5 million. "This was a great opportunity for BBVA Compass to get involved in a high-profile, impactful project," said Burgess. "It's hitting on a number of the criteria we look for." Burgess went on to say this is an attractive development because it has a great sponsor and is a transit-oriented development next to the light rail line.

"NEF has a longstanding relationship with New Hope dating back to their first LIHTC project. New Hope has been a fantastic partner and NEF has syndicated all of New Hope's deals—now six in total," said Aldridge. "One of the biggest risks to affordable housing is the high cost of development in these types of areas. Harrisburg is located just east of downtown Houston, with access to the new metro light rail. This is a rapidly gentrifying area and it's important to have affordable housing options in prime areas with access to employment, services, and transportation as it provides tenants every chance to lead a high-quality life." Aldridge said this development was a perfect fit as half of NEF's clients are nonprofit organizations and half of NEF's LIHTC transactions use the 4 percent credit.

The Houston Housing Finance Corporation was the bond issuer. "There is a basic community need to continue to bring in new projects that are well built and will last for years to come," said Jeff Smith, executive director of Houston Housing Finance Corporation. "New Hope has been very good at creating innovative designs that produce livable spaces used by the tenants." The Houston Housing Finance Corporation has been

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involved in about six developments with New Hope and has provided bonds to about 35 developments overall.

The capital stack also includes \$6.6 million in U.S. Department of Housing and Urban Development HOME funds and Homeless and Housing Consolidated bonds from the city of Houston, a \$6.2 million equity investment from Houston Baseball Partners LLC, \$1.5 million from the Federal Home Loan Bank of San Francisco and \$607,698 in tax credit assistance program funds from Texas Department of Housing and Community Affairs. The development also received about \$1.9 million in donations from various private enterprises.

Horak-Brown said the capital stack includes no debt.

“The great news about that is we are able to keep our rents affordable,” said Horak-Brown. “Rental rates cover utilities, services, cable TV, [rent] and we still have cash for the maintenance set aside.” Smith said that New Hope Housing is able to do this because of its unique ability to raise substantial private donations for its developments.

“New Hope Housing has an excellent track record of creating permanent supportive housing in Houston,” said Susan Wilson, CPA and partner in the Austin, Texas, office of Novogradac & Company LLP, which is providing consulting and accounting/tax services related to the project. “Permanent supportive housing is so important and this development is certainly worthy of the LIHTC financing.” ♦

### New Hope Housing at Harrisburg

#### FINANCING

- ♦ \$13.5 million in bonds purchased by BBVA Compass and National Equity Fund (NEF)
- ♦ \$10.5 million in 4 percent
- ♦ low-income housing tax credit equity from BBVA Compass, with NEF as the syndicator
- ♦ \$6.6 million in U.S. Department of Housing and Urban Development HOME funds and Homeless and Housing Consolidated bonds from the city of Houston
- ♦ \$6.2 million equity investment from Houston Baseball Partners LLC
- ♦ \$1.9 million in donations from various private enterprises
- ♦ \$1.5 million from the Federal Home Loan Bank of San Francisco
- ♦ \$607,698 in tax credit assistance program funds from Texas Department of Housing and Community Affairs

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PRODUCTION

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**Jesse Barredo**

## CONTACT

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**Alex Ruiz**  
**alex.ruiz@novoco.com**  
**415.356.8088**

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**Christianna Cohen**  
**christianna.cohen@novoco.com**  
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