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Sagebrush Place II Rehabilitation Brings Together Familiar Partners in RAD Transformation in Reno, Nevada

NICK DECICCO, SENIOR WRITER, NOVOGRADAC

Working with a familiar partner made for a smooth transaction in the second phase of the rehabilitation of Sagebrush Place in Reno, Nevada.

Integra Property Group teamed with Hunt Capital Partners (HCP) for part two of an acquisition-rehabilitation of the former Centennial Park in The Biggest Little City in the World, a \$10.6 million upgrade that included \$3.6 million in federal low-income housing tax credits (LIHTCs) in the capital

stack of the Rental Assistance Demonstration conversion.

Simon Fraser, director of project management for HCP, said the pair had previously partnered on the Woodland Village Apartments development in Woodland, California, in 2019 and that made teaming up for Sagebrush Place II an easy decision.

Image: Courtesy of Integra Property Group

A look at the exterior of Sagebrush Place II in Reno, Nevada, a rehabilitation of a development undertaken by Integra Property Group with a tax credit investment from Hunt Capital Partners.

“Portfolio-wide, we’ve been dealing with a lot of transaction noise, churn and slippage,” Fraser said. “These guys kept the process relatively smooth and straightforward, so I was really impressed.”

The rehabilitation is due for completion in December.

A Rosy Recollection

The 2.2-acre property was first built in 1970 and renovated in 2007 with LIHTC equity. The property has eight, two-story townhome-style structures.

The redeveloped Sagebrush Place II will offer 40 two- and three-bedroom apartments for those earning up to 60% of the area median income. Thirty-eight of the apartments fall under Section 8 Housing Assistance Payment contracts.

Changes and upgrades to the property include repaving parking lots and sidewalks, replacing doors and windows for energy efficiency, accessibility adaptations, new kitchen appliances and flooring as well as bathroom upgrades.

“They’re not changing building footprint, so while the transformation may not seem as exciting as a new construction project, the real transformation is happening inside the units,” said William Teschke, senior director of project development for HCP. “It will really be a night-and-day transformation from what is existing currently to the newly refurbished units.”

Fraser said the existing residents will benefit from a vastly improved living space.

“They’ll know that their rents are going to be restricted at an affordable level and that they have the opportunity to thrive in place,” Fraser said. “I think that it’s all about prolonging the useful life of these units.”

Fraser said one factor that helped embolden HCP’s participation was the fact that it was the second installment of a two-phase property.

“Integra worked with Nevada Housing Division in a similar structure to do the first phase next door, so we could see for ourselves what the finished project would look like,” Fraser said.

Fraser and Teschke agreed that the collaboration with Integra made for a smooth transaction.

“The recollection is a little rosy,” Fraser said. “In terms of major challenges to the viability of the project, there really weren’t any. That’s part of what we were so struck by. It felt relatively straightforward during time when so many projects a challenges with supply, with cost, with the interest rate. With all of that happening, this deal felt pretty straightforward, which was great.”

“I’m sure the development team may disagree, but from our standpoint, the lack of challenges was almost surprising, considering all that was going on while this deal was in the closing phase,” Teschke said.

Financing

Integra received a \$4 million LIHTC allocation for the redevelopment. Hunt Capital Partners closed financing in March a \$3.6 million federal LIHTC equity investment. Hunt Capital Partners will syndicate the LIHTCs through its multi-investor fund, Hunt Capital Partners Tax Credit Fund 48.

Lenders include Stifel, Nicolaus & Company Inc., who provided a \$5.2 million tax-exempt construction bond loan, and Grandbridge Real Estate Capital, LLC, which provided a \$6.2 million construction to permanent loan from Fannie Mae.

Teschke said having a Community Reinvestment Act (CRA) investor, California Bank and Trust, participating in the transaction with a CRA need via HCP’s multi-investor fund allowed them to provide favorable pricing as a result.

Other parties participating in the rehabilitation include PacifiCap Management as management agent, J4 Development LP as general contractor and RDL Architects Inc. as architect.

Fraser praised the ownership group with Integra, including Hans Juhle, Chris Porter and Kevin Dainty, saying continuing to work with Integra was the most rewarding part of the transaction.

“It was rewarding to have that relationship grow and do it while delivering housing in a market that desperately needs it in Reno,” Fraser said. ❖

SAGEBRUSH PLACE II

FINANCING

- ◆ \$6.2 million construction to permanent loan via Fannie Mae through Grandbridge Real Estate Capital LLC
- ◆ \$5.2 million tax-exempt construction bond loan from Stifel, Nicolaus & Company Inc.
- ◆ \$3.6 million in federal low-income housing tax credit equity from Hunt Capital Partners

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