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Texarkana, Texas, Housing Authority Starts Phase II of Portfolio-Wide RAD Conversion

TERESA GARCIA, MARKETING MANAGER

Like other housing authorities across the country, the Housing Authority of the City of Texarkana, Texas, (HATT) has been paying close attention to the recurring threat of proposed federal budget cuts for public housing.

In an effort to provide more stability to its residents and to finance substantial renovation of its aging housing stock, HATT decided to convert all of its low-income public housing units in three HOPE VI communities and in the remaining conventional public housing communities to project-based vouchers through the U.S. Department of Housing and Urban Development (HUD) Rental Assistance Demonstration (RAD) program.

"With continuous and consistent budget cuts coupled with aging housing stock, we didn't want to be in the conundrum of how to maintain units for clients," said Antonio Williams, HATT's CEO. "We have been changing our mindset toward entrepreneurial to ensure that we can successfully compete with the private market in providing a higher level of quality units and we felt that RAD would be a great way of ensuring this transition."

HATT oversees 1,566 apartments across 13 communities in the northeast Texas city of Texarkana, which shares a state border with its twin city Texarkana, Ark. HATT's RAD conversion was planned as two phases totaling 392 units. Phase I was completed in 2017 and was a simple conversion of 98 Hope VI units across three sites: Rose Hill Ridge, Pecan Ridge and Oaks at Rose Hill. The three Phase I properties were already in good condition, so no rehabilitation work was necessary.

Phase II entails a complete update of 294 units across five developments, including two multifamily properties at Hampton Homes and Bright Street,

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as well as three senior properties at Robison Terrace, Williams Homes and some scattered sites.

Phase II renovations will include new windows and doors, energy-efficient kitchens and appliances, updated bathrooms and new heating and cooling, mechanical and plumbing systems. Five percent of units at each property will be designed for residents with mobility impairments and 2 percent of units will have accommodations for residents with hearing and visual impairments.

To prepare for Phase II upgrades, HATT hired CVR Associates as a relocation consultant to help existing tenants move to vacant units while their own apartments underwent rehabilitation. About 20 to 50 households will be relocated at a time. Phase II is scheduled for completion in late 2020 and will be managed by LEDIC Management Group.

Image: Courtesy of Cameron Alread Architect, Inc.
Robison Terrace in Texarkana, Texas, is one of the five developments being renovated by the Housing Authority of the City of Texarkana, Texas, through the Rental Assistance Demonstration program.

Financing

Phase II was funded as a 4 percent low-income housing tax credit (LIHTC)/bond transaction. "This worked well with 4 percent LIHTCs," said William Teschke, senior director of project management for Hunt Capital Partners, which syndicated $10.8 million of LIHTC equity from JPMorgan Chase through a proprietary fund. "The value of the existing buildings helped drive acquisition credits into the transaction, which in turn, financed some of the rehabilitation costs." Teschke said that bundling eight sites and five separate allocations into a single transaction was cost effective.

Citi provided a $17.8 million hard construction loan and an $11 million permanent loan through Freddie Mac. Mahesh Aiyer, director at Citi Community Capital, said that RAD transactions can be complicated from an underwriting perspective, because so many line items and expenses can shift significantly, but that the RAD conversion positions the housing authority for continued long-term success. "The housing authority now has more flexibility to make capital expenditures and continue to improve the property," said Aiyer. "The greatest impact is on that local community."

HATT provided a $7.6 million soft seller takeback note and a $3.4 million soft construction loan that will convert to permanent through the Texarkana Public Facility Corporation (TPFC), an instrumentality of

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HATT. Other sources include a net operating income of $886,000, a deferred developer fee of $738,000 and a Citi fee reimbursement of $253,000.

Williams said one of the challenges was the complexity of having different layers of program rules and requirements related to various financing sources.

"Trying to match up the HUD RAD requirements with the state of Texas tax credit requirements, with the state of Texas tax-exempt bond requirements, with Citi's and Freddie Mac's lending requirements, and Hunt's equity investment requirements, across five separate properties while making the whole thing financially feasible for TPFC/HATT was quite a challenge," said Williams. Williams credits the success of Phase II to HATT's consultant, The Boulevard Group and various partners. ❖

Housing Authority of Texarkana, Texas, RAD Phase II

FINANCING

- $20 million in private-activity bonds issued by the Housing Authority of Texarkana, Texas (HATT)
- $17.8 million hard construction loan from Citi
- $11 million Freddie Mac permanent loan from Citi
- $10.8 million in 4 percent low-income housing tax credit equity syndicated by Hunt Capital Partners LLC
- $7.6 million HATT seller note
- $3.4 million soft construction loan that will convert to permanent through the Texarkana Public Facility Corporation
- $886,000 net operating income during construction
- $738,000 deferred developer fee
- $253,000 Citi fee reimbursement

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