



NOVOGRADAC

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## THE DEALMAKERS & INFLUENCERS ISSUE



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# 4% LIHTC Development Will Serve Working Families, Those Who Have Experienced Homelessness or Who Have Special Needs

NICK DECICCO, SENIOR WRITER, NOVOGRADAC

Riverside, California, where one of the most prominent landmarks is a white cross atop nearby Mount Rubidoux, seems like an appropriate place for a partnership between the city, a private developer and a local church.

Kyle Paine, president of Community Development Partners (CDP), said he sees his organization's forthcoming 50-apartment St. Michael's Community Housing property financed with 4% low-income housing tax credit (LIHTC) equity as part of a trend between churches and developers.

"It's a win-win," Paine said. "A lot of church properties are being converted to affordable housing across the state of California. Riverside took initiative early and passed an ordinance to allow for this type of development, but it's certainly happening to properties in multiple cities. ... The partnership between affordable housing developers and local churches has a lot of synergy."

*Image: Courtesy of Community Development Partners*  
**St. Michael's Community Housing will serve working families, those who have experienced homelessness and those who have special needs.**



*Image: Courtesy of Community Development Partners*  
**A St. Michael's Community Housing in Riverside, California, was financed with 4% LIHTCs.**

Paine hopes the development will be a powerful presence in the community, helping to better serve an existing homeless population near St. Michael's Episcopal Ministry Center as well as other members of the community.

## A Higher Calling

St. Michael's Community Housing, which features one- and two-bedroom apartments in a pair of walkup-style buildings, began construction in May. The property will split its tenancy in half between working families making between 30% and 80% of the area median income and those who have experienced homelessness or have other special needs.

Some of the funding came from a loan from the California Department of Housing and Community Development's (HCD's) No Place Like Home program. In exchange, the development will offer apartments to those in need of mental health services and who may experience or are at risk of homelessness, with the city and county of Riverside participating as well as Mercy House, a nonprofit that provides services to folks who have experienced homelessness.



*Image: Courtesy of Community Development Partners*  
St. Michael's Community Housing received \$8.5 million in LIHTC equity from Hunt Capital Partners and CDP.

Paine said the development has the benefit of allowing the St. Michael's church to better serve a community it is already working with to address homelessness. The church provided services and meals for individuals experiencing homelessness, some of whom take up residence in a nearby park.

"This integrates all levels of incomes," Paine said. "It helps those who really need housing and services while also addressing the need of working households who, for any number of reasons, might not be able to afford market-rate housing."

## Tending to the Flock

Not everyone in Riverside was as optimistic about the partnership as Paine.

Pushback is inevitable, he said, and some Riverside citizens were vocal in their resistance to the development. Paine said he saw "the most significant outreach [he's] ever been involved with" in order to bolster community support during the past few years.

"We spent three years trying to educate people," Paine said. "This project was first submitted in 2017 and we just closed here in 2021. ... At the end of the day, when it was approved, I think we actually had more people in support of it than against it."

## Financing

The development carries a \$19.7 million price tag. Investor Hunt Capital Partners (HCP) and CDP closed in March on \$8.5 million in LIHTC equity for the investment. The enactment in December 2020 of the 4% LIHTC floor was a gift from above in bringing the St. Michael's effort to fruition.

"Over the course of this closing, we were starting to deal with rising interest rates," said William Teschke, senior director of project management for HCP. "With that and the combination of construction cost issues, that 4% rate was instrumental in making project this feasible."

Much of the deal's large budget increases were due to COVID issues regarding the supply chain, said Dana Mayo, executive managing director for HCP.

"This transaction was going into a fund that had not closed yet, so [the 4% floor] was helpful," Mayo said. "We were able to adjust the budget earlier and that made it easier."

Hunt syndicated the federal tax credits through its multi-investor fund, Hunt Capital Partners Tax Credit Fund 41. St. Michael's Community Housing marks the first partnership between HCP and CDP.

BBVA Mortgage Corp. delivered nearly \$11.5 million for construction. Citi Community Capital provided nearly \$4.9 million in permanent financing. HCD and the city of Riverside contributed soft loans of \$4.3 million and \$2 million, respectively.

Paine said securing the No Place Like Home funds from HCD was the biggest financial challenge because it's a competitive annual allocation.

"If you don't have those service dollars, you have to keep the deal alive until the next funding round," he said. "It's not a puzzle. It's more of a pyramid because if one thing falls out, everything falls."

Novogradac participated as the certified public accountant. Precision General Commercial Contractors is the general contractor. Escher GuneWardena Architecture is the project architect. FPI Management is the property management agent.

The development is scheduled to be placed in service in June 2022. ❖

### ST. MICHAEL'S COMMUNITY HOUSING FINANCING

- ◆ \$11.5 million short-term loan from BBVA Mortgage Corp. for construction
- ◆ \$8.5 million in low-income housing tax credit equity syndicated by Hunt Capital Partners
- ◆ \$4.9 million in permanent financing from Citi Community Capital
- ◆ \$4.3 million soft loan from the California Department of Housing and Community Development's No Place Like Home program
- ◆ \$2 million soft loan from the city of Riverside

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