

Public Housing Authority Conversion - RAD

Client: Housing Authority of the County of Santa Barbara

Property:

Lompoc Terrace is an existing 40-unit public housing development located in Lompoc, California. The site includes twenty-six single story garden apartment buildings and a maintenance building.

Challenge:

Like many public housing communities, the property needed substantial renovation and updating. The Housing Authority of the County of Santa Barbara (HACSB) was considering a RAD conversion and retained Recap for assistance in navigating RAD and arranging a recapitalization.

Solution:

Recap analyzed the potential for a RAD transaction at the property and presented several potential financing scenarios, considering both 4% and 9% low income housing tax credits (LIHTCs). Based on Recap's analysis, HACSB determined that a RAD conversion was viable and consistent with the Authority's objectives for its portfolio. Recap prepared and submitted a RAD application in the initial competitive round in October 2012.

After the award of a Commitment to enter into a Housing Assistance Payment (CHAP) in December 2012, Recap worked with HACSB to prepare for the RAD conversion. HACSB determined that the preferred scope of work was greater than initially anticipated, and decided to pursue a 9% LIHTC transaction instead of a 4% transaction. The more intensive rehabilitation permitted the conversion of a portion of the maintenance building into community space, more extensive accessibility improvements and a wide range of other improvements.

The Lompoc Terrace transaction closed in March 2014 – among the first group of RAD closings in the country. Recap's role in the closing process included:

a) preparing and managing the RAD milestone submissions and HUD review process, b) advising HACSB regarding RAD requirements, c) reviewing and critiquing the financial model, d) coordinating the RPCA with the architectural designs and construction planning, e) assisting in negotiations with the project lenders and investor, f) negotiating adjustments in the rents to reflect changed utility arrangements, and g) working with the HACSB team, lenders, and investor to resolve waivers, transaction structuring issues, and a tight closing schedule.

