



A SUCCESS STORY: PRESERVING MULTI-FAMILY HOUSING AS MORE SUSTAINABLE AND ENERGY EFFICIENT HOMES

Project Summary:

This project involves the acquisition and moderate rehabilitation of a HUD 236 project in the Brownsville neighborhood in Brooklyn, NY. The project consists of four nine-story residential towers built in the 1970s with 523 family units, a two-story community facility space used as a preschool, a parking garage, and a parking lot. The project was owned by a local non-profit affiliated with the local parish. As part of the refinancing, the project was acquired by an LLC, the managing member of which is a joint venture between CPC Resources and two private individuals. In addition, Progress of Peoples, the development arm of Catholic Charities of Brooklyn and Queens, is involved to provide services to the tenants.

The project was refinanced with 9% tax credit equity, a 20 year fully amortizing mortgage from CPC, and a 30 year mortgage from the NYC Department of Housing Preservation and Development (HPD) with 1% interest. The total development costs for the project are over \$38 million (\$73,000/unit). Of that total development costs, the initial rehabilitation scope, exclusive of energy efficiency and weatherization funds is almost \$16.5 million (over \$31,000/unit). The repair scope, exclusive of weatherization funds, included a new roof, new low-e windows, new entry doors, repairs to the parking lot and garage, new playgrounds and landscaping, re-wiring of the buildings with submetering electrical service to the tenants, installation of new boilers and domestic hot water heaters, new doors, replacement of kitchen appliances and cabinets, replacement of common area floors, and installation of a security system.

Use of Green Funds:

The project participated in both the NY State Energy and Research Authority's (NYSERDA) Multifamily Performance Program (MPP) and the Weatherization Assistance Program (WAP), using Community Environmental Center (CEC) to access both programs. The project is receiving \$647,280 (\$1,235/unit) of NYSERDA MPP funds and \$706,050 of work via WAP. With these two programs, the project is able to do additional work and improve the performance of the building. In addition, as part of the rehabilitation and refinancing, tenants will be paying their own electric bills for the first time. Therefore, electric savings in the units will be passed directly on to the tenants and help ease the new burden of paying electric bills. The WAP scope for the project included the following measures performed by the subgrantee's contractors:

- Health and safety measures, including duct cleaning in all apartments and installing roof ventilators;
- Insulating domestic hot water piping;
- Upgrading the lighting system in all apartments and common areas; and
- Installing faucet aerators and low-flow showerheads

The owner's in-kind work for the WAP program included:

- Installing CO and smoke detectors in all units, laundry rooms, and boiler rooms;
- Replace heating system with high efficiency system; and
- Training supers and managers

Challenges with using WAP:

There were three major challenges with using the WAP program.

- 1) **Bringing WAP funds into the project when the project is financed with LIHTC:** Because this work was being done as part of a tax credit project, it was important to bring the WAP funds into the project without any detrimental tax implications for the tax credit investor. For legal and accounting purposes, it was documented that the work being done by the WAP contractor was being done for the benefit of the sponsor, who then contributed the benefits to the project. Although this avoided taxable income to the tax credit investor, federal grants which support the development of the project still result in a reduction of eligible basis. This could reduce the amount of tax credits for which a project is eligible. Two potential fixes for this problem include 1) allowing the WAP funds to come in as a direct or indirect low-interest, cash flow contingent loan (since federal loans do not need to come out of basis) or 2) providing a legislative exception for WAP funds to allow these funds to be granted to the project owner (or to a sponsor which then contributes them to the owner as equity) without a reduction in eligible basis. The first solution is used for HOME and CDBG loans and the second solution has been done previously for Section 202 capital advances to build affordable, multifamily elderly housing.

- 2) **Coordinating energy audits:** Both WAP and NYSERDA require energy audits, but their methodology and reports are different. For this project, CEC did both energy audits, resulting in increased costs, both in time and money. Combining the two audits would make it much easier and less costly for projects to take advantage of both resources.

- 3) **Coordinating contractors:** The WAP program requires that WAP work be done by the subgrantee or their approved contractor. However, if the WAP program is being used in conjunction with a refinancing and rehabilitation, a separate contractor is already doing work in the project. Occupied rehabilitations are already difficult to coordinate since work needs to be done around tenants or with complicated relocation plans. Therefore, coordinating work between two separate contractors adds an additional layer of potential problems.

Riverdale Osborne Summary		
	Total	Per Unit
Total Development Costs	\$38,278,171	\$73,050
NYSERDA MPP	\$647,280	\$1,235
WAP	\$706,050	\$1,347