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Financing Trifecta Graduates Building from Grade School to Senior Housing

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In order to provide Burlington Township, N.J. with additional affordable housing, co-developers Moorestown Ecumenical Neighborhood Development (MEND) Inc. and Conifer Realty LLC took an unconventional approach. The developers transformed the Mitchell School at Springside, an elementary school originally built in several stages beginning in 1915, into the Springside School Apartments, a 75-unit affordable housing development for seniors 55 and older.

"The school board decided to stop using the facility several years ago," said Matthew Reilly, MEND Inc.'s president and CEO. "It was functionally obsolete." MEND, which converted its first school into housing in 1987, acquired the building and teamed up with Conifer, another experienced historic school redeveloper, to convert the building into affordable housing.

The transformation of the historic school building, which had been vacant since 2007, was a two-step process. The school was converted into 32 affordable housing units and a two-story addition that houses 43 units was built at the back of the property.

The \$17.7 million development is comprised of 68 one-bedroom units and seven two-bedroom units. Units feature full kitchens, bathrooms, and living and dining areas. The units are reserved for tenants earning 30, 50 and 60 percent of the area median income (AMI). In addition,

16 of the units are reserved for a non-age-restricted special needs population. "The special needs units were provided in response to a state of New Jersey initiative to provide more permanent housing for people with special needs," said Charles Lewis, senior vice president at Conifer.

Renovation gave the co-developers a chance to add a number of modern amenities to the 20th century building. The gymnasium was converted into a community room. The development also features a library, laundry facility, computer room and an exercise room. Residents also have a number of outdoor amenities, including an outdoor patio and gazebo overlooking the retention pond.

The units feature 10- to 12-foot ceilings depending on the unit, large windows, garbage disposals and dishwashers, among a number of other modern appliances. Because Springside School Apartments provides housing for seniors, the co-developers added a life alert system and gave tenants medical alert necklaces that enable the tenant to contact emergency services as needed.

Combining Federal Programs and Private Equity

The development used a number of different funding sources to finance construction. It was funded in part by a \$13.9 million low-income housing tax credit (LIHTC) equity investment and a \$1.6 million historic tax credit (HTC) equity investment provided by TD Bank. TD Bank also provided \$10.5 million in interim construction

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financing. Mark McBride, vice president at TD Bank, said that its longstanding relationships with MEND, Conifer and tax credit syndicator Red Stone Equity Partners LLC made this development run smoothly. Lewis added that the LIHTC equity investment accounted for 85 percent of the funding, and without it the school could not have been repurposed.

In addition to LIHTC and HTC equity, Springside School Apartments also received \$850,000 in U.S. Department of Housing and Urban Development (HUD) HOME funds, a \$346,000 mortgage from the New Jersey Housing and Mortgage Finance Agency and \$200,000 in municipal housing trust funds from the township. “[This development] takes a building that had not been in use and recycled it, it retained the features of the old school ... [and] it also provides additional affordable housing in our community for seniors,” said Karen Trommelen, division head for Burlington County’s department of community development, which administered the HOME funds.

Chris Murray, senior vice president of acquisitions at Red Stone Equity Partners said, “Personally, I like the adaptation and reuse of old historic buildings. [It is always beneficial when you can] take a vacant historic building and transform it into something productive in the community.”

HTCs Preserve Springside School Apartments’ History

The renovation preserved the historic features of the school, which was originally constructed as a 4-classroom schoolhouse. The developers kept the original doors, replaced the windows and preserved the brick and mortar exterior. The school’s original coat closets and hallways were also preserved. Blackboards and a “girls” sign on a restroom door are among the small details preserved throughout the new apartments as well.

“We have done a lot of historic renovations before. So, we knew all of the rules going in. Nothing really caught us by surprise,” Lewis said. He said it was a challenge to meet the National Park Service’s historic requirements and follow current energy efficiency standards. In particular, Lewis said that the developers had to reach an agreement with the NPS to make thicker walls to properly insulate the building.

The rehabilitation of the historic school building and the construction of the 43-unit addition were completed in October. Since then, MEND and Conifer have wasted no time leasing up the development. Tenants began moving into the Springside School Apartments during the first week of November. At press time, 45 units had been

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Photo: Courtesy of MEND Inc.

The \$17.7 million development includes 68 one-bedroom units and seven two-bedroom units. Units are reserved for tenants earning 30, 50 and 60 percent of the area median income.





Photo: Courtesy of MEND Inc.

In order to receive historic tax credits, the developers of the Springside School Apartments preserved the original doors, replaced the windows and preserved the brick and mortar exterior. Old blackboards are among the small details preserved throughout the new apartments as well.

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filled and the co-developers were holding open housing to increase foot traffic. "With seniors, they typically want to see the particular unit they will be renting before they sign a lease," Lewis said. Lewis anticipates that the development will be fully leased by the end of January.

Conifer and MEND's Continued Relationship

With the development of the Springside School Apartments now behind them, MEND and Conifer are continuing their partnership, which since 2007 has produced four developments and has two more starting construction in 2014. The two are currently working on the conversion of the former Marcella L. Duffy School into a 53-unit affordable housing development for seniors

in nearby Florence Township. Like the Springside School Apartments, the Duffy School Apartments will include converting the school into 35 affordable housing units along with the construction of a three-story addition that will house an additional 18 units. The co-developers are looking to have this conversion completed by spring 2015.

Reilly said, "MEND and Conifer have structured a sophisticated joint-venture arrangement which enables us to provide to our municipal housing partners the very best of what nonprofit and for-profit organizations have to offer in the development and management of affordable rental housing." ♦

Springside School Apartments

FINANCING

- \$13.9 million low-income housing tax credit (LIHTC) equity investment from TD Bank
- \$1.6 million historic tax credit (HTC) equity investment from TD Bank
- \$10.5 million in interim construction financing provided by TD Bank
- \$850,000 in U.S. Department of Housing and Urban Development (HUD) HOME funds
- \$346,000 mortgage from the New Jersey Housing and Mortgage Finance Agency
- \$200,000 in municipal housing trust funds from the township

This article first appeared in the January 2014 issue of the Novogradac Journal of Tax Credits.

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