

## **NCSHA 2010 Annual Awards**

### *Malden Arms: A Model for Preservation*

Illinois Housing Development Authority (IHDA)

Category: Rental Housing

Subcategory: Preservation and Rehabilitation

### **Background**

Illinois' most populated county, Cook County, will lose an estimated two affordable homes for every one built over the next decade. Confronted with such disheartening predictions, the Illinois Housing Development Authority (IHDA) has cultivated its relationships with development partners and other housing stakeholders to boost the preservation of affordable rental homes in Cook County and across the state.

IHDA firmly believes in the investment of public and private resources toward the preservation of existing housing and creation of new affordable housing assets to ensure ongoing affordability.

A result of IHDA's strong partnerships is Chicago's Malden Arms Apartments, an 83-unit supportive housing building for formerly homeless, low-income and disabled individuals. A model for preservation, Malden Arms opened its doors in fall 2009 as a product of the innovations and initiatives at work in the State of Illinois.

### **IHDA meets a challenge**

IHDA began partnering with the developers forming Mercy Housing Lakefront in the 1980s. IHDA's support of the Malden Arms development dates to the beginning, when the 1920s building was transformed into supportive housing in 1991. IHDA played a key role in providing financing for the original rehabilitation.

IHDA stepped up again when Mercy faced a financial hurdle. Developing housing serving persons with special needs in high-cost areas is typically a difficult task as there is little financial incentive and limited resources for this type of housing. Despite pressure to convert the building in Chicago's gentrifying Uptown neighborhood to condominiums, Mercy insisted on upholding the affordable housing mission. IHDA stood firm as a financial partner because the benefits to the population served outweighed the costs.

The federal Low-Income Housing Tax Credits that financed the development had expired, and the property required extensive rehabilitation. Mercy had to reconcile the challenge of refinancing and rehabilitating a supportive housing building with limited net cash flow. Malden Arms was losing \$100,000 a year due to rent caps, limited rent subsidies and high operating costs due to inefficient utilities and the cost of resident services.

IHDA not only recommitted its original financial commitment, we upped the ante. For the \$6.47 million rehabilitation project, IHDA invested a \$600,000 zero-interest loan from the Illinois Affordable Housing

Trust Fund and \$343,569 in federal Low-Income Housing Tax Credits. The remainder in financing to rehabilitate Malden Arms relied on IHDA's strong partnerships. IHDA's tax credits generated \$2.64 million in private equity from investor, National Equity Fund. This new investment coupled with existing IHDA financing from the original rehabilitation of Malden Arms provided \$4.43 million, or 68 percent of the total project cost.

Other key financing came from IHDA's longtime partner in affordable housing development, the City of Chicago's Department of Housing. Mercy secured the Long Term Operating Support (LTOS) subsidy from the Chicago Low Income Housing Trust Fund for 52 of the 83 supportive housing units. As a result, Mercy could increase rent revenues without impacting tenants' out-of-pocket housing costs.

### **Open 'Arms': A community investment**

Staying true to the mission of improving the quality of life for Malden Arms residents, Mercy made sure residents were aware of what to expect during construction. Several formal and informal meetings were held with the residents and case management staff to collect feedback, detail construction plans and discuss other logistics.

When rehabilitation work wrapped up in fall 2009, Malden Arms Apartments demonstrated measurable benefits for its residents. The preservation of the Malden Arms served as part of the pilot project for the Clinton Climate Initiative and the City of Chicago's Multi-family Energy Retrofit Program (MERP). Each apartment featured new kitchen cabinets and Energy Star appliances as well as new energy efficient air conditioning units. As designed, the development's environmentally friendly elements will reduce green house gas emissions by almost 200 tons of carbon dioxide each year— which is equivalent to planting 50 acres of trees or removing 35 cars from the road.

Throughout the building, new flooring, new furniture, a number of cosmetic upgrades, energy efficient lighting and low-flow water fixtures (toilets, faucets, and showerheads) were installed. High efficiency water heaters, boilers, and a reflective membrane on the roof that reduced its heat island effect were added. Residents no longer had to share bathrooms in the updated apartments, as each unit now included one. Work expanded space for case management services, and community areas received upgrades.

In addition, work wrapped up a few months ahead of schedule in 2009. This swift timeline allowed Mercy to reinvest resources into the project to improve life safety features such as modernizing the elevator.

### **IHDA's preservation pledge**

Preservation is one of the key housing principles that serves as the foundation of the Illinois Housing Development Authority's mission. IHDA has invested more than \$900 million to ensure the ongoing affordability of nearly 16,000 units since identifying preservation as a priority nearly a decade ago.

Preservation remains a challenge, even more so in this economy. IHDA remains committed to the principle of preservation, and has shown innovation in growing its preservation pipeline.

With affordable apartments and homes continuously at risk due to deferred maintenance, expiring subsidies or market pressures to abandon affordability, Illinois has shown leadership in directing state resources to target preservation efforts.

Malden Arms represents IHDA's strong commitment to investing in Illinois' communities through preservation. Malden Arms responds to the need to preserve affordable housing at a time when demand is increasing, existing supply is shrinking and new production cannot keep up with projected demands.

For residents of the Malden Arms Apartments, perhaps the greatest impact of this preservation project was how it improved their quality of life without increasing out-of-pocket housing costs. The renovations made the building more energy efficient, more comfortable, safer and more accessible to physically disabled residents.

## **Results**

If not for Malden Arms maintaining its affordability, residents would have been forced on the streets because rents are rising in the neighborhood due to gentrification. Many residents would have been driven away from a neighborhood where they have built their lives.

IHDA recognizes how crucial its partnerships are to preserve affordable housing. Malden Arms shows how successful developments rely on the strength of these public-private partnerships, and provides a replicable model for other housing finance agencies.

With an eye toward future preservation projects, IHDA this year launched a Preservation Initiative. This new program engages IHDA's valuable partners who share a common goal. Funded by the Treasury Department's October 2009 initiative, this new program aims to help reposition property in the market to make it more competitive. By extending affordability and offering an attractive rate to put developments in a more stable financial position, IHDA will continue to make preservation a priority in Illinois.

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