

“Without the VHDA Community Transformation Initiative, the Jefferson School Lofts project would have never happened. The \$4.2 million would never have been invested in Downtown Suffolk, the 17 units would have never opened, and one hundred- plus people would have never worked here. This program is the difference not only in restoring buildings, but also in helping to save downtowns all over this state.”

- Mickey Garcia, President of Garcia Development, LLC

### 1. Brief Description of VHDA’s Community Transformation Initiative

Across the country, communities featuring mixed-use/mixed-income (MUMI) developments continue to grow. These developments not only promote diversity by providing housing for a mix of income groups, they also help bring neighborhoods back to life by introducing mixed-use features into the communities. VHDA’s Community Transformation Initiative loan program offers the opportunity to finance developments promoting MUMI housing in qualified revitalization areas. The program requires that, at a minimum, 20 percent of the apartments remain affordable to residents making 80 percent or less of the area median income, while the remaining units are rented at market rate. Projects eligible for financing under this program include newly constructed developments supporting local urban redevelopment efforts and the rehabilitation of existing structures to expand mixed-income homeownership opportunities as part of local neighborhood revitalization efforts.



### 2. Why/When it was undertaken

Several years ago, VHDA noticed the trend of “walk-able” communities, where home, work and play are all within a short distance. These mixed use/mixed income communities offered diverse rental and homeownership opportunities, so in 2004 VHDA petitioned the Virginia General Assembly to grant the authority permission to finance MUMI projects, based on the growing market demand for long-term, permanent fixed financing for these types of developments.



*Thomas Jefferson School Lofts – before and after.*

### 3. What VHDA has accomplished

Prior to the Community Transformation Initiative loan program, many developers of traditional market rate projects would not have considered using VHDA financing for their developments. But with the creation of this loan program, the authority attracts new developers to use VHDA financing in their mixed-use projects rather than going the traditional market route with no affordable housing component. Two examples are the Jefferson School Lofts in Suffolk and The Hancock Building in Roanoke, both of which would have become market rate condominium projects without VHDA’s MUMI financing and Resources Enabling Affordable Community Housing in Virginia (REACH) subsidy that provides lower interest rates for specific MUMI deals through internally generated equity.

#### Jefferson School Lofts

A vacant building just a few years ago, the former Thomas Jefferson School, located in downtown Suffolk next to the city’s newly renovated cultural arts center, is now a vibrant MUMI development. The City of Suffolk sold the 16,000-

square-foot building to Garcia Development, who planned on renovating the historic building into 16 condominiums. Plans changed once Mickey Garcia learned of VHDA's MUMI financing program offering non-recourse financing, with a 30-year permanent fixed rate for adaptive re-use projects. The project also received historic tax credit equity. Four of the 16 apartments will be maintained as affordable units for the life of the loan.

### The Hancock Building

The interest in renovating The Hancock building was due to the insufficient amount of quality, affordable housing in the City of Roanoke. The downtown Roanoke area was an ideal location to employ VHDA's Community Transformation Initiative loan program, because it provided the city with affordable housing while revitalizing a historic landmark. Members of VHDA's REACH *Virginia* team worked with the developers for over a year structuring a financing package for this unique redevelopment project.

The adaptive re-use of the historic building could not have been possible without the partnership between the developers, the City of Roanoke, Roanoke Redevelopment and Housing Authority and VHDA, which provided the permanent financing for the project through its MUMI financing program. The City of Roanoke provided a one-time economic development grant of \$880,000 through the Roanoke Redevelopment and Housing Authority to the developers, to help offset the high costs restoring the building's original façade. In 1965, the Grand Piano and Furniture Company purchased the building and entirely bricked over the exterior, encapsulating the historic windows and the terra cotta mosaics. The project's construction costs were between \$9 and \$10 million.

The large building offers 58 rental apartments with office space on the bottom floor. Thirty percent of the apartment units will be preserved as affordable housing for residents making 80 percent or less of the area median income, while the remaining units will not have income restrictions. The project created such excitement in the downtown Roanoke area that 55 of the 58 apartments were already leased prior to the first tenant moving in on June 1, 2008.



*The Hancock Building after renovation*

## 4. Why it is Meritorious and Meets NCSHA Award Judging Criteria

### Innovative

VHDA's Community Transformation Initiative loan program is innovative for a number of reasons. It promotes diversity by providing housing for a mix of income groups. The mixed-use element blends business and community in unique combinations that make neighborhood revitalization an achievable goal for any locality in Virginia.

### Replicable

Any HFA providing long-term, permanent financing for mixed-use/mixed-income housing developments and maintaining strong partnerships with its stakeholders can replicate this financing program.

### Respond to an important state housing need

There is a substantial need for affordable housing in Virginia. The guidelines for the Community Transformation Initiative loan program require that 20 percent of the units be set aside for affordable housing, with the remaining

unit's non-income restricted. This financing program addresses a vital state housing need which is the development of quality, affordable housing in undeserved locations across the Commonwealth.

#### Demonstrate measurable benefits to HFA targeted customers

VHDA's Community Transformation Initiative loan program invested a total of \$45.6 million in seven mixed use/mixed income deals during the last fiscal year, resulting in 191 new affordable units for Virginia citizens. And, VHDA's Board of Commissioners recently approved the financing of four new MUMI developments for the current fiscal year. In addition, developers benefit from the program's flexible underwriting standards and residents receive the direct benefits resulting from living in affordable, pedestrian-friendly developments.

#### Proven track record of success in the marketplace

Since 2004, the Community Transformation Initiative loan program has successfully financed 1,212 units, of which 273 are affordable apartments in 20 developments across Virginia. In addition, the high level of interest the program generates from real estate professionals and local jurisdictions – from high-cost Northern Virginia to the state's rural Southwest region – has resulted in several more deals currently under development. These include The Gateway at SoNo in Chesapeake, Village Square in Floyd, High Street Lofts in Petersburg, Walker Row in Richmond and The Station at Potomac Yard in Alexandria.

#### Benefits that outweigh the costs

Helping revitalize historic buildings and bringing downtown neighborhoods back to life outweigh the low-interest subsidy funds VHDA contributes to various MUMI projects.

#### Demonstrate effective use of resources

VHDA provides special financing through its Community Transformation Initiative loan program and Resources Enabling Affordable Community Housing in Virginia (REACH) subsidy. And since the REACH Virginia team was already in place, no additional staff needed to be hired.

#### Effectively employs partnerships

In most instances, it would be impossible to make these deals a reality without the commitment of local jurisdictions and developers who have a strong commitment to affordable housing. VHDA's stakeholder support, voiced through the authority's Local Governments, Realtor® and Multifamily Developers Advisory Boards, have contributed substantially to bring MUMI revitalization to Virginia.

#### Achieve strategic objectives

The creation of VHDA's Community Transformation Initiative loan program enables VHDA to provide developers with a financing product offering more opportunities for quality affordable housing in desirable MUMI developments. Prior to this program's creation, these types of projects would become mixed-use developments without the affordable mixed-income housing component.

### **Conclusion**

Today many localities are moving toward "walk-able" communities, where home, work and play are all within a short distance. And, MUMI developments bring other positive impacts to communities, including safety, deconcentration of poverty, proximity to transportation, and sustainable communities. In the coming years, the growth of mixed-use developments – and the diverse rental and homeownership opportunities that they engender – is expected to soar. This trend bodes well for the revitalization efforts in Virginia's older urban communities that were originally designed as pedestrian-friendly neighborhoods.

VHDA's innovative Community Transformation Initiative loan program provides local governments and developers with creative mixed-use/mixed-income financing that helps build the long-term viability of communities – particularly those undergoing revitalization. And the program has been very successful – since its inception, it has successfully financed 1,212 units, of which 273 are affordable apartments in 20 developments across Virginia.