

Novogradac Journal of Tax Credits

News, Analysis and Commentary On Affordable Housing, Community Development and Renewable Energy Tax Credits

June 2013, Volume IV, Issue VI

Published by Novogradac & Company LLP

LIHTCs and HOME Funds Finance Affordable and Accessible Housing

By Mark O'Meara, Staff Writer, Novogradac & Company LLP

It's hard enough to find affordable housing in Madison Heights, Va., and facilities that accommodate people with disabilities are even rarer. But when completed this summer, Phelps Road Place Apartments, a 26,000-square foot development, will help meet the need for affordable rental housing. The property will feature eight one-bedroom apartments, 12 two-bedroom apartments and two three-bedroom apartments. Ron Mittelman, owner of Locust Hill Consulting Services LLC, which developed Phelps Road Place Apartments, hopes the development will provide affordable housing to this underserved market.

"I feel like most multifamily apartments just put a couple of units in their developments meant for people with disabilities and that these units are sort of an afterthought. There is a need in this community for more units catering to the needs of disabled people," said Mittelman, who partnered on this development with Lynchburg Community Action Group, a local nonprofit that will purchase the development from Mittelman after the 15-year compliance period. "I thought that I could build an entire building for people [with disabilities] and their families."

When completed this summer, the three-story Phelps Road Place will include 22 units, 11 of which adhere to Uniform Federal Accessibility Standards (UFAS), which ensure that buildings are designed and built to be accessible. The remaining 11 units follow Universal Design standards, which set looser accessibility regulations on buildings. Each unit will include roll-in showers, roll-under sinks, lowered cabinets and public areas will include many features that



Photo: Courtesy of Locust Hill Consulting Services, LLC

All 22 units at Phelps Road Place apartments are Americans with Disabilities Act compliant. Each unit will include roll-in showers, roll-under sinks, lowered cabinets and many other accessibility features.

adhere to regulations set forth by the Americans with Disabilities Act (ADA). The entire building will be available at rents affordable for families earning at or below 50 percent of the area median income. Mittelman reports that all of the units are preleased, and the community is scheduled to celebrate its grand opening June 25.

A Troubled Beginning

Mittelman conceived Phelps Road Place in 2007 and one year later applied for and received an allocation of 9 percent LIHTCs. Shortly after that, the development faced its first

continued on page 2

continued from page 1



Photo: Courtesy of Locust Hill Consulting Services, LLC
Phelps Road Place Apartments, a 26,000 square foot development, features eight one-bedroom apartments, 12 two-bedroom apartments and two three-bedroom apartments and will service both low-income tenants and tenants with disabilities.

hurdle: finding a new location. Originally, Mittelman found a site roughly one mile north of its current location in Madison Heights. However, the land was not zoned for multifamily residential development. Mittleman petitioned county officials to have the property rezoned; county officials denied his request. Finding a new location put the development one year behind schedule, said Mittelman. This had a domino effect on the rest of the development timeline. The delays spooked potential investors and in 2009, Mittelman returned the tax credits to the state.

“Investors got scared and we had to reapply for the tax credits,” Mittelman said. “It’s been five years since we started this project. It’s been a long road.” Mittelman persevered, however. “The project just needed to be built because of the tremendous need it fulfilled,” he said. Two years later, in 2011, Mittelman once again applied for and received a 9 percent low-income housing tax credit (LIHTC) allocation.

LIHTCs and HOME Funding Finances Development

The \$4.2 million development involves a number of different funding sources. It received \$700,000 in HOME funds from the Virginia Department of Housing and Community Development (DHCD). DHCD awarded Phelps Road Place \$200,000 more than it usually allocates to developments because of the development’s high number of low-income and accessible units. “There was a high demand for ADA compliant housing in this particular region,” said Willie Fobbs, DHCD’s associate director of housing.

Phelps Road Place also received \$3.36 million in 9 percent federal LIHTCs administered by the Virginia Housing Development Authority (VHDA) and a small allocation of renewable energy investment tax credits. Phelps was awarded the LIHTCs through

continued on page 3

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 ISSN 2152-646X

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continued from page 2



Photo: Courtesy of Locust Hill Consulting Services, LLC

Phelps Road Place Apartments will include 22 units, 11 of which adhere to Uniform Federal Accessibility Standards (UFAS) and the remaining 11 units follow the Universal Design standards. Both types of units adhere to building accessibility regulations.

the noncompetitive disability pool that Virginia sets aside for housing adhering to disability regulations, said Jim Chandler, director of VHDA's LIHTC program. Phelps Road Place qualified for this pool because 100 percent of the property's units are reserved for tenants with disabilities. "This is the type of development we are proud to be a part of because of the need it fulfills in the community," Chandler said. The VHDA also provided a \$125,000 loan through the Sponsoring Partnerships and Revitalizing Communities (SPARC) program, which provides loans to developments that address the state's most critical housing needs, including accessible housing, said Jeff Nelson, investment analyst at City Real Estate Advisors (CREA). The development also received \$154,000 of soft funding from the Federal Home Loan Bank of Atlanta.

StellarOne provided a \$2.1 million construction loan to Phelps Road Place. Scott Murphy, vice president of commercial banking at StellarOne, said that this was a good fit for StellarOne because of three key components: it is 100 percent ADA compliant, 100 percent low-income compliant and it implemented green building practices.

Syndicator CREA provided an equity investment of \$3 million for the LIHTC and energy credits for Phelps Road Place. Michael Murray, senior vice president of acquisitions said the development was a perfect fit for CREA. "It had the hard metrics – the track record, the capacity and the capitalization – that we look for in all our deals. And it had the soft metrics – what the developer was trying to accomplish," Murray said.

continued on page 4

continued from page 3

Nelson added, "It really had a specific purpose ... What this development was doing for the community made us really excited about this project."

Additional Amenities

In addition to providing affordable housing to people with disabilities, Mittelman wanted the building to have sustainable features. Phelps Road earned EarthCraft certification because the building is 25 percent more efficient than the International Energy Conservation

Code requirements. Additionally, the development uses geothermal heating and air conditioning systems, saving approximately 30 percent on HVAC. Mittelman said this accomplished two objectives: it lowered utility costs for tenants and it lowered operation and repair costs. ❖

This article first appeared in the June 2013 issue of the Novogradac Journal of Tax Credits.

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