

Filling a Need

Rehabilitated Property in Phoenix Will Provide Supportive Housing for Veterans



**Construction Underway at
Garfield Commons Apartment Homes
Phoenix, Arizona**
Photo by DESCO

On November 15th, public officials and other participants will gather in Phoenix for a special event: the ribbon-cutting for Garfield Commons Apartment Homes, a new permanent supportive housing development targeted to low-income veterans, including the formerly homeless.

“It’s pretty much the talk of the town,” says Sean Price, Homeless Veterans Services Coordinator at the Arizona Department of Veterans Services. “Everybody knows about it.”

Located in the blue-collar Garfield neighborhood, the \$19.250 million tax credit development is being created from the historic rehabilitation and adaptive re-use of a vacant former Catholic nursing home called Sacred Heart Home for the Aged.

“The veterans use is a perfect fit for this property because of all the excess square footage in the building,” says Dave Slattery of DESCO Arizona Affordable Housing LLC, the developer. “The kitchen, chapel, nurses stations, choir loft, and offices are all able to be

turned into various service facilities for the service providers.”

Mix of Housing and Service Space

The sprawling two-story building, with multiple wings and 115,000 square feet of space, will contain 100 affordable apartments financed by low-income housing tax credits. The non-housing space, nearly 40,000 square feet, will be used for on-site delivery of supportive services for veterans and offices for nonprofit organizations that serve veterans.

The development, described by Price as a “veterans campus,” will contain studio, one-bedroom, and two-bedroom apartments with gross initial rents averaging about \$450 a month. Of the 100 apartments, 35 will be rented to individuals or households at or below 40% of the area median income (AMI); 45 to households at or below 50% of AMI; and 20 to households at or below 60% of AMI. For a one-person household, these annual

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income caps range from \$17,680 to \$26,520.

At least half the apartments, or 50 units, must be rented to veterans. But Slattery and Price expect a much larger number. “Veterans like living with other veterans,” says Price.

According to Price, there’s a huge need for permanent supportive housing units for formerly homeless and low-income veterans in Phoenix and Maricopa County. There are 264 transitional beds in Phoenix funded by the U.S. Department of Veterans Affairs (VA) that take in veterans from homeless shelters or from off the street, providing them temporary housing – typically for three to five months – until they can find a job or secure government assistance to become self-supporting. The next step up for them is moving into affordable permanent supportive housing, such as the Garfield project. Some eventually move out of these developments into conventional housing.

Supportive Service Spaces

Two local nonprofits so far have committed to provide services to the veterans living at Garfield Commons. One, United for Change, provides furniture, appliances, utensils, and linens free of charge to help the veterans outfit their apartments. The second, Arizona Veterans Supportive Services, which will relocate its offices to the new development, will mainly provide on-site case management for the veterans, refer them to off-site services, and assist them in other ways, according to Al Edwards, the organization’s executive director. “We’ll do some computer training and work readiness classes also,” he says.

DESCO expects to line up additional nonprofits to come in to provide on-site supportive services for the veterans.

Price believes that many of the veterans moving in will bring federal tenant-based “VASH” vouchers. These provide rent subsidies and come with VA case management services.



Rendering of Original Sacred Home for the Aged

Background on Property, Project

Constructed in 1960, the building was operated by the Little Sisters of the Poor as a nursing home primarily for priests and nuns until 1993, when a bank foreclosed and sold the note to an Iowa businessman, James Danaher. The building then sat vacant for much of the next 17 years, during which time a variety of plans were explored to redevelop the property. “It was getting to the point,” Slattery says, “where the neighbors wanted something done, even if that meant razing it.”

Slattery, an Omaha, Neb. real estate developer, first learned of the project in 2010, after the owner got the building listed on the National Register of Historic Places and rehab plans approved. This qualified the rehabilitation project for federal historic tax credits. “The historic tax credit eligibility really saved this building,” says Slattery. “It generated over two millions dollars in additional proceeds.”

In 2011, DESCO applied to the Arizona Department of Housing (ADOH) for 9% housing tax credits to redevelop the property – but lost out when its application fell short in the scoring process. Before applying again in 2012, Slattery met with ADOH staff to discuss the highest and best use for the vacant building. “And a significant need in Phoenix at that time – and still is today – is for veteran housing,” he says. “There are about eleven to twelve hundred homeless vets on the

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street on any single night in the Phoenix metro area and Maricopa County.”

DESCO subsequently submitted a new application, and in June 2012 received an award of \$1.5 million in housing credits for 100 LIHTC units. In the second application, DESCO structured the proposed project to earn extra points to be more competitive. These included points for providing housing with supportive services for veterans, points for job creation, and points for achieving LEED standards for energy efficiency. These last two areas generated some challenges.

To qualify for the energy efficiency points, DESCO’s contractor ended up having to remove virtually all of the building’s existing clay roof tiles (more than 50,000), put in a radiant barrier, and re-install the tiles. To get the job creation points, meant to stimulate construction jobs in the soft Phoenix economy, DESCO committed to an accelerated project timetable. This meant scrambling to line up financing quickly and starting construction right after the transaction closed on November 1, 2012.

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Funding Package

One consequence of the quickened pace was lack of time to shop the tax credits to multiple syndicators. DESCO accepted its sole offer of 90 cents per dollar of tax credit for both the housing and historic tax credits from Affordable Housing Partners, Inc., a unit of Omaha-based Berkshire Hathaway.

In addition to the tax credit equity from Affordable Housing Partners, other funding sources are a long-term soft second mortgage – capitalized by federal HOME dollars – from the City of Phoenix, and seller-financing from the owner. The seller-financing was converted to a 55-year land lease requiring monthly payments of \$3,000. Stearns Bank is providing construction financing.

Historic Rehab Issues

In rehabilitating the property, DESCO has had to satisfy restrictions imposed by the National Park Service and state historic preservation office.

Among these have been retaining the clay tile roof and building corridors; keeping the location of all existing windows the same; making sure the replacement windows (more energy efficient) are accurate replicas of the old windows; and retaining the stained glass windows and terrazzo floor in the chapel.

A Growing Universe

According to Price, the need for affordable supportive housing for veterans in the Phoenix area will only get larger.

“With the wars winding down,” he says, “we’re going to see an increase of veterans coming into the Valley and looking for low-income housing. You’re going to have a lot of veterans utilizing the GI Bill, which provides a housing stipend. But that stipend is going to put them into lower income housing. So they’ll be looking for affordable housing.”

“We need to provide services and housing that is sympathetic to the needs of veterans,” says Edwards, “because a lot of them are coming back and need places to stay, referrals, and services to help them adjust back into the community...This is going to be a great project for the community. We’re taking a building that hasn’t been used in quite some time and opening it up not only to the veterans but also to the community as a whole.” **TCA**