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Developer Purchases, Renovates Similar Properties in Separate States

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They're like twins, only different.

Similar affordable housing properties in need of similar upgrades were renovated with different financing packages this winter by Denver-based Steele Properties, the development and acquisition sister company of Monroe Group Ltd. Steele Properties acquired and preserved two developments in late 2015: Burlington Manor in Burlington, Colo., and Georgetown Square in Georgetown, Texas. Large-scale renovations at each community began this spring, with a combined investment of more than \$14 million.

Robert Dicks, vice president at PNC Bank N.A., which provided the low-income housing tax credit (LIHTC) investment and other financing, said the properties were treated as stand-alone developments by the bank, but said PNC recognized the similarity. "They're individual for sure, but Steele's a good partner," Dicks said. "[Steele] looked at it as an opportunity to close [separate transactions] at similar times."

David Asarch, vice president of development at Steele Properties, said his company liked what it saw in both developments. "We focus primarily

on project-based Section 8 properties and we'll go anywhere in the country," Asarch said. "We look to see what kind of condition they're in. Most Section 8 housing is from the late 1970s or early '80s and is in need of rehabilitation. We approach it by seeing what kind of rehabilitation it needs and trying to get the properties in the tax credit program."

Burlington Manor is near Steele's headquarters in Colorado and Georgetown Square fits in with the company's large portfolio in Texas. However, Asarch said the properties don't benefit from the simultaneous development.

"There's no real economy of scale, because they're not near each other," he said. Steele oversees the development and also manages the property.

Construction started this spring at both properties and Asarch said he expects both to be completed before the end of the year. Most residents are able to stay in their apartments, with work done during the day and residents returning in the evening—with the exception of the Americans with Disabilities Act (ADA) conversions, which require a relocation

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of about 30 days. Asarch said construction at each site takes place a section at a time to make it simpler.

Dicks said the investments are attractive. "They're predictable," Dicks said. "Both have similar characteristics and are similar size. [Acquisition-rehabilitation] is something we know well. It's something we've done with Steele and we're comfortable about how they look at rehabilitation. There's predictability because they're operating already and we know they'll function well."

Both were Section 8 housing, which Dicks said he likes. "I think they're both stable markets," Dicks said. "Burlington is a little more rural, but it's a very stable apartment complex. We're excited about both of them."

PNC's Key Role

PNC played a major role not only in LIHTC equity investment, but in all financing for both properties. Burlington Manor was awarded 9 percent LIHTCs in July 2015, bringing in more than \$4.2 million of LIHTC equity from PNC. PNC also originated a \$1.7 million Fannie Mae permanent loan to support the acquisition and renovation.

Georgetown Square was purchased in 2014 and Monroe Group received 9 percent LIHTCs in 2015. That resulted in about \$4.7 million in LIHTC equity from PNC, which also originated a \$3.5 million Fannie Mae permanent loan to support the development. The city of Georgetown also contributed a \$450,000 loan.

Burlington Manor

Burlington Manor is a 54-apartment project-based Section 8 community that serves low-income families in eastern Colorado. "The city isn't big [the population is less than 5,000], but there's a shortage of affordable housing," Asarch said. "Everyone wanted to preserve this. We purchased it with interest in the tax-credit program and got it."

Burlington Manor will receive about \$3 million in improvements as Steele makes interior upgrades, including updated kitchens and bathrooms as well as installation of air-conditioning units. There will be new amenities, including a playground, an upgraded management office and a building expansion that will include a community center, fitness facility, computer lab and expanded resident laundry room. A major focus of the rehabilitation is energy-efficiency and ADA compliant upgrades.

Georgetown Square

Georgetown Square is a 55-apartment project-based Section 8 family community just outside of Austin, Texas. The renovation will bring \$2.5 million in upgrades, featuring interior and exterior upgrades that include updated kitchens and bathrooms, all-new Energy Star-rated HVAC systems, LED lighting and a new playground area. A covered pavilion with grills and picnic tables will be added and a new community building will be installed with a gathering space that includes a kitchen a new management office, laundry facility and a computer lab with Wi-Fi. Handicap-accessible ramps and sidewalks will be installed and several apartments will be converted to accessible rental homes to bring the community up to ADA standards.

Jennifer Bills, housing coordinator for the city of Georgetown, said Georgetown Square "was definitely a property that needed [renovation]." She said it was the third such property in town to undergo renovation.

"I think one of the things was that it was just [housing] units, with few on-site amenities," Bills said. "Now there will be an office and community center. The playground there is [currently] just a sad slide, but they will add in a full playground that will bring more value to the development."

The involvement of the city helped both properties, Asarch said.

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"Each local jurisdiction has been very supportive or the rehabs," Asarch said. "We got to know local officials and people in the community. We view this as a partnership and the cities were very supportive."

Two simultaneous developments help two very different cities with one important thing in common: use of the LIHTC.♦

Burlington Manor**FINANCING**

- ♦ \$4.2 million LIHTC equity investment by PNC Bank
- ♦ \$1.7 million Fannie Mae permanent loan facilitated by PNC Bank for acquisition and renovation

Georgetown Square**FINANCING**

- ♦ \$4.7 million LIHTC equity investment by PNC Bank
- ♦ \$3.5 million Fannie Mae permanent loan facilitated by PNC Bank
- ♦ \$450,000 loan from city of Georgetown

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