Program Summary

Unfolding Multifamily Crisis. America’s neighborhoods face a hundred-year storm of financial disinvestment, market disruption, and economic dislocation. The debilitating impact on single-family housing markets is well documented yet they are still declining precipitously in most cities around the country. A number of national approaches and market-specific strategies have been deployed to stabilize the crisis in home ownership. Yet disturbing trends in the Commercial Mortgage-Backed Securities markets and other indicators suggest that multifamily housing is equally if not more stressed than single-family housing in many markets. This trend is a second blow to neighborhoods and is exacting its heaviest toll on low- and moderate-income tenants.

Multifamily Stabilization. The Community Builders, Inc., (TCB) one of the nation’s largest nonprofit developers of affordable multifamily housing in urban areas, intends to directly address the unfolding multifamily crises to complement strategies focused on single-family stabilization. TCB has been awarded $78 million of NSP2 funding for a multifamily housing stabilization program in neighborhoods where the location and proportion of rental housing relative to the single-family inventory is critical to the viability of the local real estate market. We will undertake this program in 8 states in the New England, Mid-Atlantic and Midwest regions and the District of Columbia.

In targeted areas that fully meet all NSP2 NOFA criteria and in partnership with state and local officials and community stakeholders, TCB’s strategy is three-fold:

- We will acquire both assisted and unassisted multifamily properties that are foreclosed, blighted, vacant or in some stage of mortgage default-foreclosure and redevelop them as part of locally-determined revitalization plans and programs.

- We will acquire a combination of vacant land, foreclosed/abandoned single-family and distressed multifamily sites in communities where neighborhood revitalization efforts are underway as part of public housing redevelopment/HOPE VI investments, or similar large-scale efforts are in jeopardy of stalling due to the financial crisis. Limited demolition will be undertaken to assemble needed land (no NSP2 funds will be used for public housing demolition). We will then build new affordable multifamily housing where it remains an essential yet unfinished component of these revitalization strategies.

- We will apply a “quick start” bridge financing method that will rapidly expend all of the $78 million in NSP2 funding within three years to create a minimum of 681 units of affordable housing, at least 25% of which will serve families at or below 50%, of AMI. The NSP2 funds will leverage an estimated additional $200 million in state, local, and private investment; we will re-apply NSP2 program income to develop an additional 450 units in years three to five of the program. The full leveraged impact of our efforts will create up to 2,131 units of new or substantially improved multifamily housing in eligible census tracts.

Development Prototypes. Given the scale and complexity of our multi-market approach, we have framed and budgeted two development prototypes around (1) the acquisition-rehabilitation of publicly assisted and market-rate, unassisted multifamily housing, and (2) the acquisition-redevelopment of land tied to large-scale revitalization efforts.
These prototypes were developed in discussions with local and state officials and community stakeholders in nine different communities with NSP2-qualified census tracts. In identifying opportunities we were careful to complement, rather than compete with, local strategies for addressing destabilizing influences, as the support and commitment of resources from the local jurisdiction are critical to our strategy. Based on these consultations, we identified additional areas of greatest need and revitalization potential that fit one of the two prototypes in the District of Columbia, Maryland, Virginia, North Carolina, Delaware, Pennsylvania, New Jersey, New York, Connecticut, Massachusetts, New Hampshire, Maine, Indiana, Ohio, Illinois and Kentucky.

Identifying Opportunities & Partners. Upon award of NSP2 funds, TCB will notify municipalities in the above 15 states of the availability of funding to undertake projects that align with the multifamily stabilization prototypes described above, including the particular projects listed as prototypes. In identifying additional opportunities with local partners, over a 60-day period we will: 1) review potential projects against local plans and our capacities; 2) assess our ability to leverage needed permanent financing resources against NSP2 timelines; and 3) ensure that projects meet all of the NSP2 NOFA requirements, including being ‘shovel ready,’ responsive to local market conditions, and able to ameliorate destabilizing conditions.

Applying NSP2 Funds. TCB will negotiate agreements with local partners on a set of 7-10 first-round multifamily projects totaling approximately 600-700 housing units. Prior to applying NSP2 funds as a “quick start” bridge loan for acquisition or construction activities, we will secure typical preliminary commitments for permanent financing that will take out the “quick start” facility, including LIHTC equity, conventional debt, and local gap funding. We will also apply NSP2 funds to address any reasonable gaps in a project’s permanent financing structure, essentially converting “quick start” funds to permanent soft (non-amortizing) debt as needed. We expect that NSP2 funds will be applied as permanent soft debt for no more than 33 percent of a project’s total development cost. With the initial round of stabilization projects underway, TCB will initiate a second-round notification and assessment process in localities in all 15 states within our operating footprint, and a third round if necessary in 2012.

Demonstrated Organizational Capacity
TCB has been at the forefront of efforts to stabilize and revitalize America’s urban neighborhoods since 1964, developing 22,000 units of mixed-income rental and ownership housing, and by leveraging more than $2 billion in capital from a variety of private, public, and nonprofit sources to accomplish our transformative work in 15 states and the District of Columbia.

Over the past five years, TCB has completed nearly 3,000 units of mixed-income multifamily housing as part of large-scale revitalization initiatives in partnership with public housing authorities, local housing agencies and community stakeholders. In the past two years alone, Community Builders has completed 2,560 units of affordable housing in diverse geographies in both rehabilitation and new construction projects; we assembled all the acquisition, predevelopment, construction, bridge and permanent financing for this housing.

3-Year Program Outcomes
By the end of the prescribed three years, TCB will have spent the full $78 million of its requested NSP2 allocation, leveraged $200 million in permanent financing (half of the ultimate total of $400 million to be leveraged), completed 681 units of affordable multifamily housing, and initiated stabilization activities in 7-10 additional neighborhoods on 700 additional housing units. A final round of 750 units will be in the pipeline, bringing the overall 5-year total to 2,131 units.
Equally important, our proposed multifamily stabilization program will also:

- Expedite the traditional federal-to-state-to-city-to-developer delivery system for affordable multifamily housing, which is currently struggling to manage allocation processes for recovery and reinvestment resources. Our “quick start” bridge financing method directly injects NSP2 funding into ready-to-go multifamily projects, then draws needed permanent financing from public and private resources as it becomes available.

- Meet the deep targeting objectives of NSP2 by preserving at-risk multifamily assisted inventory and repositioning troubled assets in the unassisted inventory as affordable housing for low- and moderate-income tenants, developing 25% of the NSP2-assisted units for families at or below 50% of AMI.

- Address larger-scale multifamily assets that can quickly destabilize a neighborhood if unaddressed yet can also quickly reposition it. Rental housing is absorbed by a broader population spectrum (including those displaced by foreclosure) and more rapidly than single-family developments.

- Advance local revitalization plans, many of which have been stalled by the economic crisis.