



Innovative Ways to Fund Renovations – Q&A with Zac Wallace



2016 Missouri Workforce Housing Association Conference

Zac Wallace, partner at Wallace Architects, participated on a panel at the MOWHA Conference in July about “Innovative Ways to Fund Renovations”.

1. During the MOWHA panel what kinds of funding options were discussed?

Primarily, the panel focused on using 4% bond transactions to package together multiple existing 515 properties into a single transaction. The panel also discussed MPR funds being used in these transactions. Jannie Dunning, executive director of USDA RD MO, explained how she was able to utilize AHATax credits in a multi property transaction USDA was a part of a few years ago. So, we are seeing Owners and developers get more creative when they begin to look at funding sources for these types of renovation projects. The recent upward trend in credit pricing has helped make 4% credits more attractive.

2. How does adding multiple funding sources affect the design and renovation of these facilities?

It's important to remember that each funding source will typically come with its own set of requirements. For example, 4% funds are allocated by the state agency. The QAP in that state will most likely have minimum design standards that must be followed. These standards can govern everything from light fixtures to siding materials. When you add an additional funding source, for example MPR funds from USDA, those will also come with minimum standards that must be included in our design. Determining which one is most restrictive and ensuring requirements are satisfied for all materials takes a lot of effort.

3. In what ways do the renovations funded with 4% credits differ from those funded with 9% credits?

Well, as the name implies, 9% credits provide more equity into the property than the 4% credits do. So essentially there is less funding to work with on 4% deals. This isn't to say that you can't fully rehab the property, it just means you have to carefully gauge what existing elements of the property could continue to serve the property for the compliance period and which ones obviously can't. So we closely evaluate the capital expenditures log to determine what work has been completed over the previous 5 years and leave those items out of the scope of work. Amenities like dishwashers etc., are typically not added, but when the apartments are completed they are in like new condition and the residents are most happy with their new apartment.

4. What are the most challenging aspects of working on multi property bond transactions?

When you are working on 10 to 20 properties at one time, you try to be consistent in the way you present the scope of work. However, some of the properties are going to be more challenging than others and some will present unique challenges not seen in the other properties in the portfolio. Keeping the drawing sets moving through the pipeline along the same time line is certainly challenging. We also have to work with multiple cities and counties along the way. They don't always interpret the code or apply it the same way. So, getting out in front of these kinds of issues, and making sure that we are communicating often with all the stakeholders, is vital.

5. What advice do you have for developers or owners that want to embark on one of these multi property transactions?

What we mentioned during the panel was, put together a team that has experience with these types of deals. Inevitably, there will be problems. It's vital that you can rely on the experience of your team, and relationships that they have forged with state agencies, local authorities, USDA, etc., to be able to work through the issues. These transactions are complex and you want experienced team members in the trenches with you working through the problems.

Tennessee Preservation Portfolio Grand Reopening



The partners at Wallace Architects, Zac and Kurt Wallace, attended the Grand Reopening and Ribbon Cutting of the Tennessee Preservation Portfolio on August 17, 2016.

The Tennessee Preservation Portfolio is the realization of a major initiative to preserve 793 aged affordable multi-family housing units scattered across the state of Tennessee. Together, The Hallmark Companies, Greystone Affordable Housing Initiatives, Boston Financial Investment Management, the Tennessee Housing Development Agency, and the US Department of Agriculture worked together to complete this crucial preservation effort.

Their diligence impacted over *twenty* communities. These communities were in great need of affordable housing; some communities had not had multi-family properties renovated or new housing developed in years.

A tremendous amount of dollars and effort was invested into these rural communities. The Tennessee Preservation Portfolio would not have been possible without Low Income Housing Tax Credits, tax-exempt bonds, and USDA financing. Total development costs of the acquisition and rehab of the portfolio was approximately \$89 million, with total construction contracts exceeding over \$22 million.

The renovations of 793 apartments were completed in one year. At least four homes per day were renovated through Rapid Rehab, the process of renovating the interior of the home in a short period of time before renovating the exterior of the overall property.

Kurt Wallace and Zac Wallace with Wallace Architects were pleased to support the Tennessee Preservation Portfolio at their Grand Reopening. The partners were able to tour the completed properties, hear from residents that benefited from the preservation, and listen to Charles Schneider, District Director for US Congressman Diane Black, give the keynote address.

The business of preservation has changed. Preservation is no longer about saving old buildings; it's about saving communities and preserving their values for years to come.

Kurt Wallace Appointment to CARH Board

At the 2016 Annual Meeting and Legislative Conference held in Arlington, Virginia this past June, Wallace Architects owner and manager, Kurt Wallace, was appointed to the National Council for Affordable and Rural Housing (CARH), Board of Directors.



Kurt Wallace previously served as the President of the Missouri CARH and has over 37 years of experience as a project architect on affordable housing, commercial, and health care throughout the United States.

“It is an honor and a privilege to serve on the 2016 – 2017 National CARH Board of Directors,” said Kurt Wallace. “CARH plays a vital role in affordable rural housing and I’m grateful to have the opportunity to serve with all the members to represent the needs of the entire rural housing industry.”

CARH serves as the nation’s premier association for participants in the affordable rural housing profession for the past 35 years. Builders, Owners, Developers, Managers, Non-profits, Housing Authorities, Syndicators, Accountants, Architects, Attorneys and Bankers make up the members of CARH and trust the association to provide superior legislative representation, up-to-date industry information, and overall invaluable benefits and services.

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