



Preservation Next Colorado Academy

**Navigating Rehabilitation
of Small to Medium
Multifamily Properties**

June 13, 2023

Today's Agenda

3 PRESERVATION NEXT OVERVIEW

- Sara Haas, Senior Director, Enterprise Preservation Next

8 REHABILITATING SMALL TO MEDIUM MULTIFAMILY PROPERTIES: BEST PRACTICES AND CASE STUDIES

- Robin Wolff, Director of Rural Housing, Enterprise
- John Bissel, Director of Property Assets, Urban Land Conservancy
- Shelley Pfeiff, Deputy Director, Total Concept

AUDIENCE Q&A AND PANEL DISCUSSION

- Moderated by Brandyn Walker, Fellow, Enterprise Rocky Mountain

34 PRESERVATION NEXT TOOLKIT: REHABILITATION RESOURCES

- Jessie Wang, Fellow, Enterprise Preservation Next

36 SESSION SURVEY

A Thank You to Our Funders

MacKenzie Scott



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The Colorado
Health Foundation™

JPMORGAN CHASE & CO.



PRESERVATION NEXT

Preservation Next Overview

Preserving Affordability in Small to Medium Multifamily Properties and Protecting Residents from Displacement

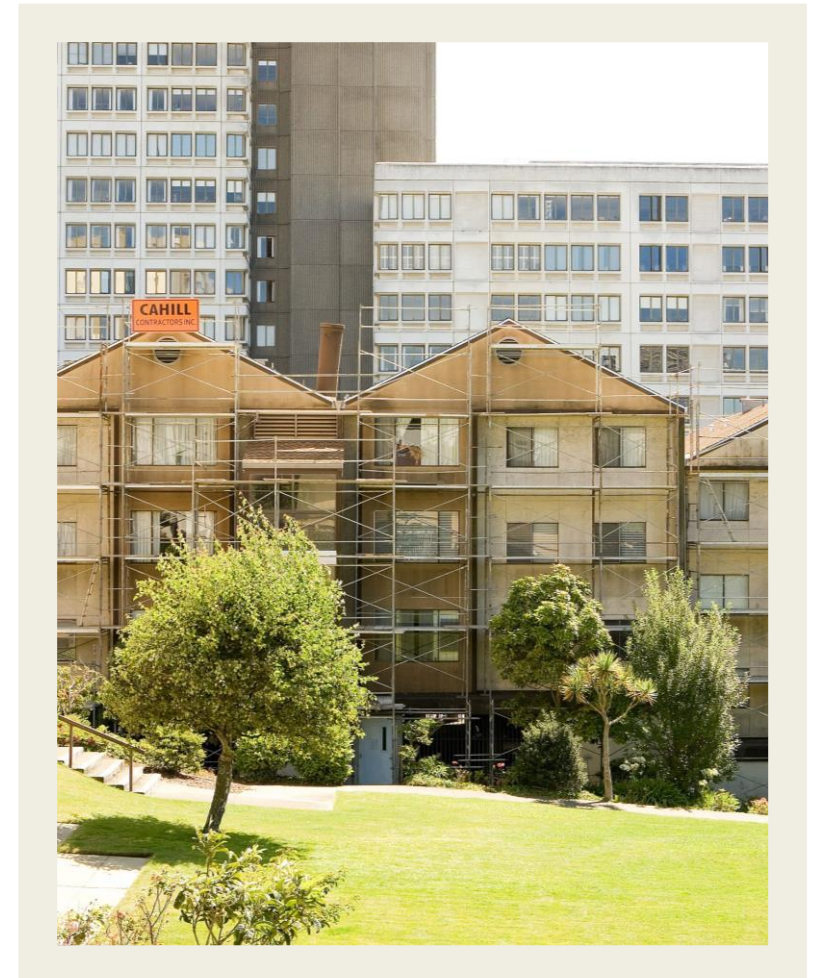
Solutions at the intersection of renter and owner stability to promote an eviction prevention-first approach

Through **Preservation Next**, Enterprise is committed to preserving affordable small to medium multifamily homes and ensuring that residents have access to safe, healthy, and resilient places to live.

To truly preserve these homes and protect affordability for residents now and into the future, we must:

- Protect existing affordability where it currently exists.
- Provide housing stability and prevent displacement of existing residents and families.
- Invest in healthy, sustainable, and resilient homes.
- Foster responsible stewardship by mission-aligned owners.

Small and medium sized properties provide a crucial foundation for affordable housing in this country: 80 percent of homes in these buildings are available to people who earn less than 80 percent of the area median income



Meet Our Preservation Next Team

National Staff



Sara Haas

ENTERPRISE, SENIOR DIRECTOR, SOUTHEAST

At Enterprise, Sara leads affordable housing preservation programming in Miami and Atlanta, the Keep Safe Florida Resilience program, and the National Preservation Next program. Prior to joining Enterprise, Sara developed and managed national AmeriCorps VISTA programs at Habitat for Humanity International and Points of Light. Sara lives in Atlanta with her husband Stew, son Eli and dog Dolly Parton.



Meaghan Vlkovic

ENTERPRISE, VP AND MARKET LEADER, SOUTHEAST

Meaghan leads Enterprise's programmatic work in the Southeast region, focused on providing an array of resources to affordable housing and community development partners. This includes capacity building assistance for proactive preservation and production of housing, and helping communities plan for future development, such as transit-oriented development opportunities.



Jessie Wang

**ENTERPRISE, PRESERVATION FELLOW,
PRESERVATION NEXT**

At Enterprise, Jessie supports program development and delivery for the National Preservation Next program. Prior to joining Enterprise, Jessie worked at the Institute for Housing Studies at DePaul University, where she contributed to the organization's applied research platform and provided technical assistance to Chicago-area affordable housing practitioners.

Preservation Next's Colorado Team

Preserving Affordability in Small to Medium Multifamily Properties and Protecting Residents from Displacement



Jennie Rodgers

VP, ROCKY MOUNTAIN, TRIBAL NATIONS, AND RURAL MARKET

Jennie leads Enterprise's work with local partners in Denver to increase and deploy resources for affordable housing, advocate for local and state affordable housing policy, and provide technical assistance and training. She has 30 years of experience in the arenas of affordable housing policy, finance and development, and has worked in the nonprofit, private and government sectors on urban and rural housing initiatives.



Brandyn Walker

PRESERVATION AND PRODUCTION FELLOW, ROCKY MOUNTAIN, TRIBAL NATIONS, AND RURAL MARKET

Brandyn is Enterprise's Production and Preservation Fellow in the Denver office. Before joining Enterprise, Brandyn worked as a real estate project analyst for Avalon Housing, an affordable housing provider in Ann Arbor, Michigan. Brandyn's background also includes experience at The City of Ferndale and the Michigan Department of Transportation.



Christi Smith

DIRECTOR, ROCKY MOUNTAIN PROGRAMS

Christi is Director of programs at Enterprise, where she leads Enterprise's work in Colorado and oversees the Wells Fargo Housing Affordability Breakthrough Challenge, a \$20 million initiative that supports the development and scalability of new ideas and approaches to address the nation's affordable housing crisis. Prior to joining Enterprise, Christi was VP of strategy and communications for Urban Land Conservancy (ULC).

Join Us!

Colorado Preservation Academy Sessions

**March - October
2023**

Dates	Sessions
March 28, 2023	Preservation Academy Kickoff
April 11, 2023	Preservation Deals: Organizational Sustainability and Business Planning
May 2, 2023	Acquisition, Property Identification, and Evaluation of SMMF Properties
May 23, 2023	Financing SMMF Preservation
June 13, 2023	Navigating Rehabilitation of SMMF Properties
July 11 & 12, 2023	In-Person Convening: Sustainability, Resilience and Health Considerations for SMMF Preservation
August 8, 2023	Preservation Development Models
August 22, 2023	Community Land Trusts and Preservation: Deep Dive Special Session
September 12, 2023	Policy and Its Impacts on Preservation
October 3, 2023	Property and Asset Management
October 24, 2023	Housing Stability and Eviction Prevention



Meet Our Guest Speakers



Robin Wolff

DIRECTOR OF RURAL HOUSING, ENTERPRISE

Robin is the Director of Rural Housing at Enterprise where she is responsible for implementing the market's housing and economic development strategies, including the provision of TA and training to nonprofit organizations, government agencies, tribal non-profits, and other stakeholders in rural and Native communities across the nation. Prior to joining Enterprise, Robin served as the Deputy Director of Community Resources and Housing Development Corporation (CRHDC) a nonprofit housing developer and service provider with an extensive rural portfolio.



Shelley Pfeiff

DEPUTY DIRECTOR AND DEVELOPER, TOTAL CONCEPT

Shelley Pfeiff serves as Deputy Director of Total Concept, a nonprofit providing housing and community development services in over 20 southeastern Colorado counties. Shelley has progressed as the organization has evolved, starting as Business Manager, to Asset Manager, and now transitioning to Development. She has over 20 years of business and ownership experience providing her with the needed skill set to manage day to day operations as well as strategic and property goals.



John Bissell

DIRECTOR OF PROPERTY ASSETS, URBAN LAND CONSERVANCY

John joined ULC September of 2017 as the Director of Property Assets. In his role, John manages ULC's Assets team and makes decisions that impact the financial performance of ULC's properties. John works closely with ULC's third party property managers to ensure the overall success of these properties. He is the lead for all properties managed by ULC, with responsibilities including cash flow management, third party contract negotiations, capital improvement projects and the overall guidance of property assets.

Framework

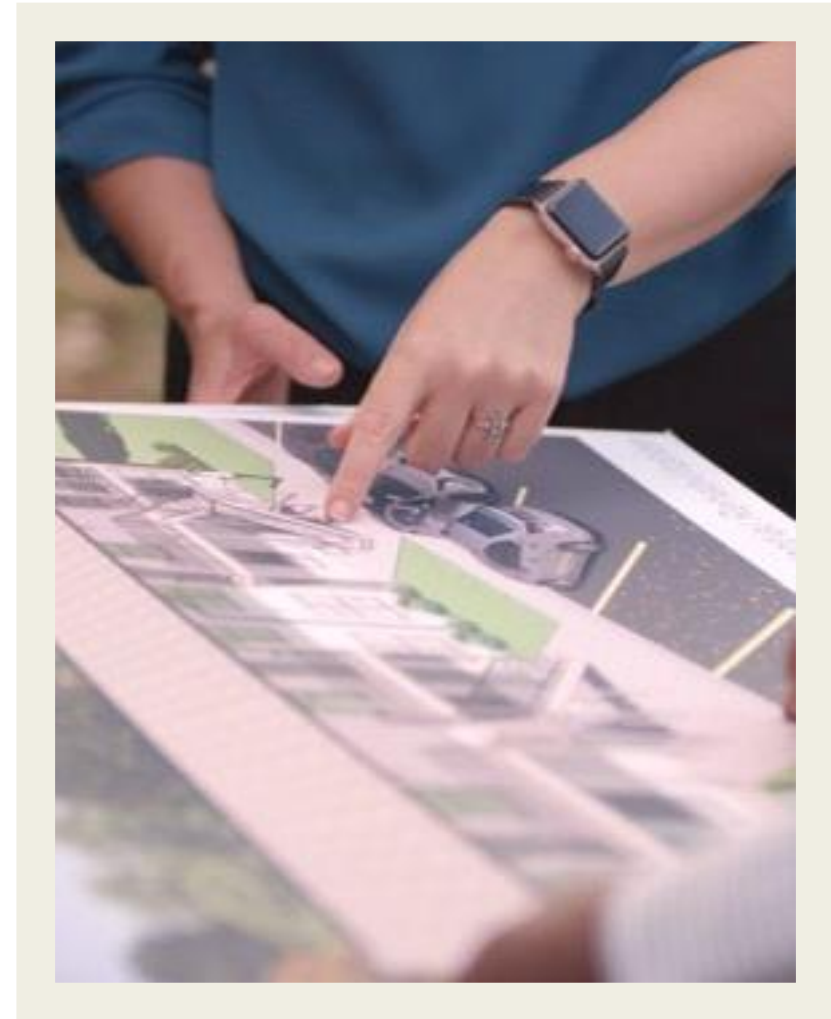


Rehabilitation- Why?

- **Deferred maintenance**
 - Maintain safety
 - Good working order
 - Accessibility
- **Replacing major building systems**
 - Improving the energy efficiency of the property to improve operating efficiency
- **Improving the economic health of the property**
 - Reconfiguring units to correspond to new kinds of demand.

Determining the Scope

- Detailed planning and reliable cost estimates are critical to success.
- You will need to gain access to the property for assessment prior to acquisition
- Doing this assessment with a general contractor and/or architect will help you get accurate estimates of cost
- A Capital Needs Assessment (CNA)
 - Third-party assessment to determine a Property's physical capital needs
 - Assesses needs over the next 20 years based upon the observed current physical conditions of a Property.



Why is a CNA important?



Operating Pro Forma					EXPENSES	
REVENUE						
% AMI	#of units	Sq. Ft.	Monthly Rent	Total Annual Rent	Administrative Expenses	
	4	1104	900	43,200	Management Fee	
	12	1457	976	140,544	Salaries and Benefits	
	4	1654	1,100	52,800	Legal & Accounting	
				0	Advertising	
				0	Office Supplies	
				0	Telephone	
				0	Audit	
				0	Other (please specify)	
				0	Total Administrative	
				0	Operating Expenses	
				0	Utilities	
				0	Trash Removal	



Scope of Work

What is required vs. what is desired

Rents

Mixed Income

Reserve Analysis

Do you have enough to do what your projected needs are?

Rehabilitation- To Phase or not to Phase

- **Rehabilitation of any scale will impact residents.**
 - Relocation plan?
- **Options:**
 - Rehab completed all at once
 - Rehab completed for groups of units at a time
 - Rehab completed in phases over time based on the types of changes required.

Rehabilitation- Construction Management

- Select a Contractor/GC you trust
- Set your construction schedule and stay on top of it
- Are there public funds that have procurement requirements?
 - Davis Bacon?
- Inspections, hiring, and reporting requirements
- Construction Financing timelines are important to stay on budget

The Villas at Wadsworth Station: Completed Rehabilitation



Source: Urban Land Conservancy

Preservation Next- 2023

Creating & Preserving Rural Housing

Rural & Remote Colorado



FOR MORE INFO
719-263-5168

BUILD DREAMS

ENHANCE LIVING EXPERIENCES



www.tchcdc.org



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Total Concept



Outreach And Advocacy

Community Impact
Direct Assistance
Advocacy
Policy Development



Asset & Property Management

Owned
Fee Management



Lending and Loan Portfolio Management

Home Repair
DPA
Micro Business



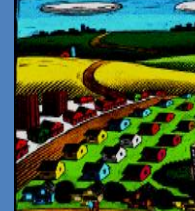
Housing Preservation & Home Ownership

Homebuyer Education
HUD Certified Counseling



Development Services

Rehabilitation
Single Family
Multi-Family
Historical
Community
Sub-division



Construction Services

Residential
Commercial

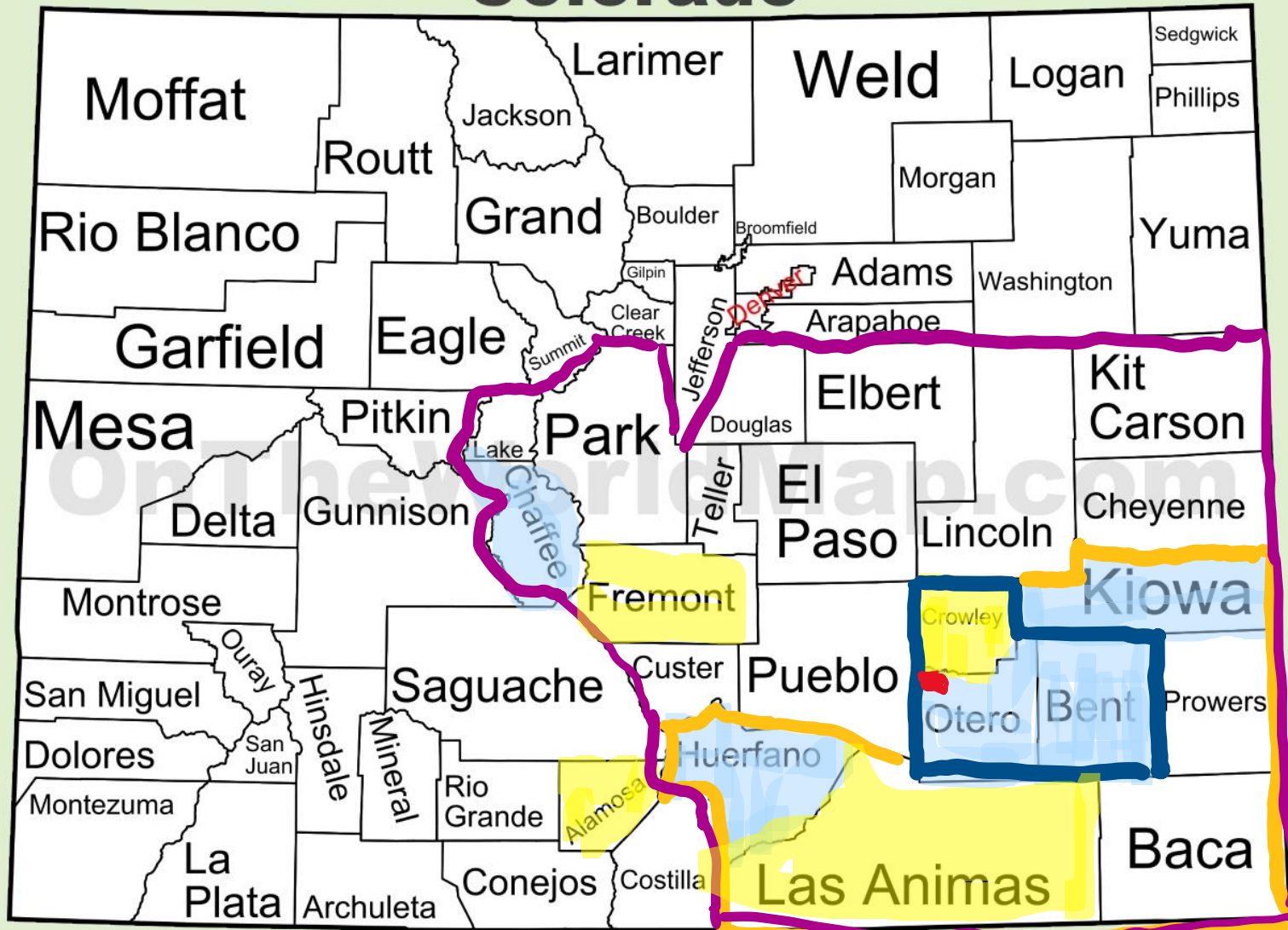


Housing Authority

HCV



Colorado





Property and Asset Management

Total Concept owns and/or manages a number of apartment complexes:

- 300 units comprising 15 projects – 206 miles from east to west (3 hours 40 minutes)
- 127 Section 8 Housing Choices Vouchers for the Las Anima Bent County Housing Authority

Our approach focuses on four primary areas:

- Tenant Management
- Fiscal Management
- Facilities Management
- Compliance and Regulatory Management



Development & Management in Rural and Remote Areas

Huge impact in the community

- Limited or no GC availability. Same for Subs. Workforce recruitment difficulty.
- Building Materials are generally hard to obtain, especially bulk appliances.
- All professionals need relevant and direct experience in these larger projects.
- Small developers are at a disadvantage due to complexity. Need to have experience, and opportunity to develop additional projects. Danger of saturating your market.
- Smaller municipalities typically don't understand their ordinances – they need your help in interpreting or in modifying/updating them.
- While trying to use local vendors is noble, they typically don't have the knowledgebase, capacity, or desire to adhere to compliance requirements.

Morningside Heights Apartments

La Junta, Colorado

An important and much needed
Affordable Housing Asset

But it was old, had many problems,
and not “loved” by the community.

Affectionately known as:

Morningside Frights

or

Homicide Heights



Timeline of Events

- July 2011 – Tri-County Housing assumed Management and Ownership
- 2012 – worked thru and cured most issues. Achieved 100% occupancy.
- 2013 – a successful year:
 - HUD HAP contract renewed for 20 year period
 - Applied for 9% LIHTC and reservation approved
- 2014 – a very busy year:
 - Architectural, funding, contracting, HAP re-assignment, Carry-over allocation
- 2015-2016 – construction with relocation. Including construction issues.
- 2017 – completion and perm financing.



Regional Area Demographics of the Project

3 Counties:

- 5,321 Square Miles
- 30,172 Population
- Population per Square Mile: 14.9 Otero County, 4.3 Bent County; 7.4 Crowley
- Median Income: \$32,500 - \$35,292
- Poverty Rate: 23.5% Otero County; 32% Bent County; 47.4% Crowley County

Understanding of the Situation

- Owner was a 501(c)4 organization:
 - Ministerial Association
 - Compliance and reporting requirements beyond ability of management and board
 - Owned another property (Golden Maple) with similar issues
- Owner received minimal or no supports
 - Local Housing Authority refused to assist
 - HUD continued to fire off cure requirements, but no TA or Work-out plan options

On the HUD Watch List

- HUD “fired” auditor
- Board required to fire long-term management
- Low scores on REAC and MOR
- HAP contract expiring

Some of the issues

- delayed maintenance
- compliance issues
- frequent law enforcement visits
- financially distressed
- high vacancy



Configuration:

- 50 units total
- 8 structures
- 1,2,3, and 4 bedroom units

Physical issues

- no insulation
- cast iron and clay sewer system in the ground
- Build-up in water supply lines in the ground
- overgrown vegetation
- reroofed 2 years prior to acquisition, but decking not replaced
- Asbestos and Meth



A complete gut and rehab



Permitting and Ordinance Challenges

- ROW (Right of Way): Private water company system encroachment but “owner” was not legal owner and unable to get that corrected in order to negotiate with us for modification to the ROW. Only solution was demolition of a portion of a building (the laundry room) resulting in redesign of units to include in-unit laundry.
- Street Vacated: The City’s previous actions (in 1972) were in Council minutes, but the action was not recorded and thus required the formal process be repeated to grant the Street Vacation.
- Fire Code was an area we assisted the City Fire Chief to read and interpret.
- Outdated Ordinances – we assisted City Administrator and Council to update various Ordinances especially with actual verbiage.
- Set-back requirements: the structures were initially built with a certain requirement that was later updated for greater # of feet. We had to go back to the City to get written assurance from City Council that in case of a complete loss (like a fire), rebuilding it would be exempt from current set-back requirements (this was the LIHTC investor requirement to build back on same footprint).

Interesting Situations

- URA (Uniform Relocation Act) – Construction was a phased approach so that whenever possible a building's residents would be temporarily relocated. In rural areas there is a limited number of available market units, so we utilized a number of our own properties as a site for those tenants.
- REAC inspection in the midst of construction! We requested various waivers from HUD as was possible – work with your regulatory agencies...
- We had to assist GC in recruiting workers during construction. Project stalled during that time and resulted in a delay of date Placed-in-Service (and those problems...)
- Non-performing Sub had to be fired, but had personal ties to certain influential people in the community – local politics and “good ole boy network” are a real thing.

Morningside Heights Apartment Renovation Project

Entire Development Sources and Uses

	Sources			Uses
	Construction	Final		
Canon National Bank	\$3,800,000		Land & Building	\$652,000
Funding Partners	1,750,000		Site Work	695,512
Tax Credit Equity	40,000	\$6,004,418	Construction	4,770,468
SECCED	500,000	500,000	Asbestos	635,000
LJHC Property Loan - Seller Note	490,059	490,059	Contingency	353,000
LJHC Loan - Insurance Proceeds	100,000	100,000	Professional Fees	423,000
TCH Loan - DOH Grant	599,000	599,000	Interim Costs	445,776
TCH Loan - Neighborworks	100,000	100,000	Perm Financing Costs	12,000
CHAFA Loan		1,250,000	Soft Costs	99,500
Deferred Developer Fee		264,779	Syndication Costs	120,000
			Developer Fee (Net= \$660,221)	925,000
			Project Reserves	177,000
Total Project Sources and Uses	\$7,379,059	\$9,308,256	Total Project Sources and Uses	\$9,308,256

As of Dec 9, 2014 - based on CHFA Ittr re additional credits & Alliant LPA

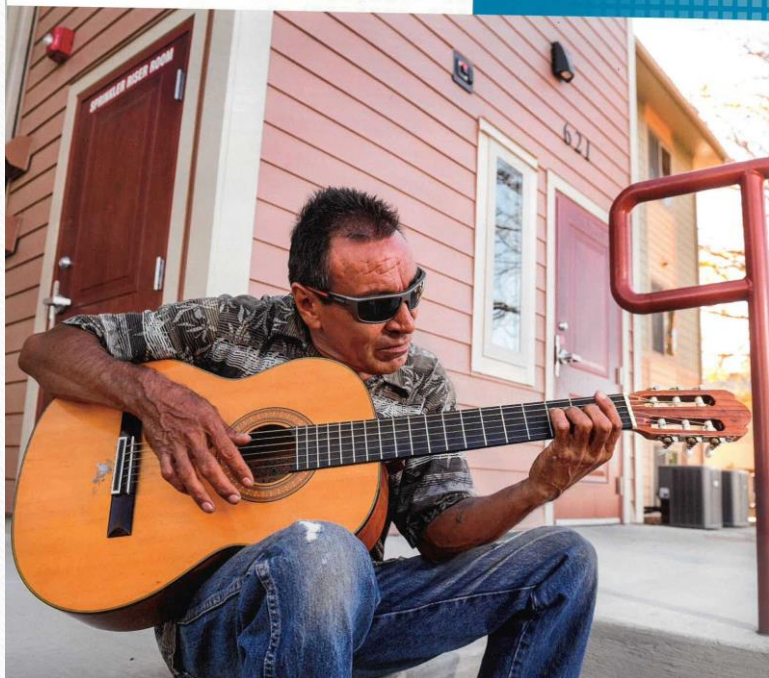
Cast of Characters

- Initial Owner – La Junta Housing Corporation
- Developer and Sponsor – Total Concept (previously known as Tri-County Housing, Inc)
- Architect – Hurtig Gardner
- General Contractor – Acorn Construction
- Syndicator and Limited Partner – Alliant
- Development and Construction lenders
 - Canon National Bank, Bank of the West, Funding Partners of Northern Colorado, Mile High Fund
- Perm Funders and Lenders
 - CDOH, NeighborWorks, CHFA, SECED, LJHC, TCH



And we all Lived Happily Ever After!

Resident, Jacob Jaramillo
Morningside Heights
CHFA multifamily customer
La Junta, Colorado



Q & A

PRESERVATION NEXT TOOLKIT

Preservation Next Toolkit: Rehabilitation

[Click here to access the Toolkit](#)

1. Determining Your Rehabilitation Approach: Key questions to guide your planning, assessing property conditions, step by step guide to create your rehabilitation plan

2. Engaging Existing Residents: When and how to engage residents for occupied properties

3. Estimating Rehabilitation Costs: Key contributors to rehabilitation costs, average estimates for remediation

4. Regulatory Considerations for Rehabilitation: Local regulatory considerations that will impact your rehabilitation plan and scope

Asbestos

If a property's tank or pipe insulation is not fiberglass, it likely has asbestos insulation. According to one estimate, asbestos inspections can cost between \$500 and \$1,000, and the cost of removal is usually between \$10 to \$15 per linear foot. Alternatively, encapsulation costs \$5 per linear foot.¹

\$10 to \$15

ASBESTOS REMOVAL COST
PER LINEAR FOOT.

Lead-based paint

Lead-based paint inspections generally cost between \$200 and \$400. The cost of removal usually runs between \$8 to \$17 per square foot, encapsulation costs roughly \$4 per square foot, and enclosing lead paint costs approximately \$10 per square foot.¹ While removal can be more costly dollars-wise, it is the ideal approach when financially feasible.

\$8 to \$17

LEAD-BASED PAINT
REMOVAL COST
PER SQUARE FOOT.

Parking Requirements

Permitted Density

Nonconforming Structures

Building Codes

Accessibility

Disaster-Resilience Requirements and Zones.

**What did you think of
this session?**

**Please take our five-minute
survey in the chat**

Thank you

Contact Us:

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Resources:

[Preservation Next Colorado Academy Sessions: Registrations, recordings, and materials](#)

[Preservation Next Small to Medium Multifamily Toolkit](#)

[Enterprise Preservation Resources](#)

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