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## Rehabilitation affordability: CPP renovates the Plaza Townhomes

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**\$16.5 million deal keeps affordable housing affordable**

Within the city's housing crisis, many older affordable housing buildings are expiring from affordability as they decay — but one building in the Humboldt neighborhood is due to receive a breath of fresh life.

Home Forward sold the affordable Plaza Townhomes to Community Preservation Partners (CPP), a \$16.5 million deal for 68 townhomes. Home Forward is the housing authority serving the Portland area, and the Plaza Townhomes are CPP's first deal in Portland.

"CPP is an affordable housing developer, we specialize in the preservation of existing affordable housing," Jack Aronson, director of development acquisitions for CPP, told the Business Tribune. "We target assets that have existing affordable housing and are in need of some maintenance ... we come in and we're able to fix up the properties funded through a federal tax credit, and keep all the residents in their homes without increasing their rent."

Plaza Townhomes were developed in 1973 under Section 236 of the National Housing Act and were once known as Piedmont Plaza. When Home Forward acquired the building in 1997, the affordability term was still in effect.

Alongside investing \$4 million into the rehabilitation (approximately \$50,000 per unit), CPP's deal keeps the Plaza Townhomes affordable, preventing rent from increasing to an amount set by the open market for another 30 years. Combined with the \$6.7 million purchase price as well as financing fees and soft costs, the acquisition cost is \$16.5 million.

"We worked with Home Forward, who has owned this asset for some time, looking to essentially fix up the property," Aronson said. "(They) basically wanted to liquidate their position, but wanted to make sure whoever bought the property preserved the affordability and didn't kick people out of their homes and so on, which happens unfortunately quite a lot."

CPP is an affordable housing rehabilitation company that owns more than 4,500 units around the nation. It recapitalizes, rehabilitates and preserves aging affordable housing communities, and provides practical solutions to complex challenges facing housing authorities, nonprofits and investors.

"CPP has a great track record of providing quality housing and they are committed to preserving long-term affordability at the Plaza Townhomes," said Michael Buonocore, executive director of Home Forward. "They will also invest more in needed rehabilitation for the property than we had the resources to provide, meaning improved quality of life for the residents."

The 18-building complex has 34 two-bedroom and 34 three-bedroom townhomes as well as a common area building. Upgrades will be made to the windows, doors, insulation, HVAC, plumbing and siding, a community area with an office, computer lab, kitchen, playground, meeting room, storage and laundry facility, as well as newly coordinating an after-school program.

For the renovation of the exterior, CPP is addressing the structure, siding, roofs and paving on the property.

"Our renovation budget here is targeting preserving the property, addressing existing capital needs instead of a whole new rebranding with a different exterior," Aronson said. "Essentially, we're addressing a lot of the capital needs issues, exterior work on siding and also doing interior upgrades to basically spruce up the resident's home."

### Keeping it economically viable

"The difficulty is, on all of these programs, you have multiple levels of affordability restrictions — sometimes multiple layers of subsidy contracts," Aronson said. "The reason we're able to get these deals done where other people can't is by understanding how to navigate that process, how to navigate layering low income housing tax credits on top of Section 8 Contracts."

Adding another layer of complexity, the property also has affordability restrictions through the U.S. Department of Housing and Urban Development (HUD).



SUBMITTED: COMMUNITY PRESERVATION PARTNERS - Aronson

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“Essentially, we utilize the low-income housing tax credit, which is a federal program that incentivizes private sector companies to come in and preserve affordability or develop new affordable housing,” Aronson said. “In exchange for tax credits, we agree to maintain the property exclusively for long-term residents — long-term defined at reduced rents set by the government.”

The Plaza Townhomes transaction included a transfer and assumption of an existing subsidy contract through HUD, but there’s more to the complexities:

The existing Low-Income Housing Preservation and Resident Homeownership Act (LIHPRHA) project was purchased using 4 percent tax credits and bond proceeds. LIHPRHA was enacted in 1992 to keep owners of older assisted housing from buying out of subsidized mortgages, which reduces the number of available affordable housing units.

“We’re seeing a lot of existing affordable housing grow out of affordable programs, so a lot of the existing, affordable housing that was built in the ‘70s ... a lot of programs are about to expire, and a lot of time people are coming in and basically kicking people out and raising their rent hundreds and hundreds of dollars,” Aronson said. “It’s really important, particularly in the Pacific Northwest. Portland obviously is one of the cities that’s most affected by it.”

He said the neighborhoods full of local businesses, culture and flavor can see long-time residents forced out because when new people come in, rent and property value skyrocket, which is exhibited in any given neighborhood in Portland right now.

“What we’ve done is put a land use restriction on the property: contractually, no one can do that (to the Plaza Townhomes) for 55 years,” Aronson said. “By preserving and by keeping properties like this affordable, we’re able to keep residents in their homes and preserve some aspect of the rapidly gentrifying neighborhoods.

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