



Challenges To Senior-Housing Buys In Affluent Markets

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ANAHEIM, CA—Owners might not want to sell if they think they can make more profit by converting to market-rate rents, which are very high, CPP’s Anand Kannan tells GlobeSt.com in this look at a recent senior-housing acquisition.

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ANAHEIM, CA—**Senior-housing owners** might not want to sell if they think they can make more profit by converting to market-rate rents, which are very high, **Community Preservation Partners’**

president [Anand Kannan](#) tells GlobeSt.com. The firm recently acquired the **Miracle Terrace Apartments** here in a \$53.5-million **joint venture** with nonprofit [Jamboree Housing](#).

Irvine-based CPP will invest \$7.4 million in renovations to Miracle Terrace as well as common areas that are accessible to all who dwell there. Located at **225 S. Western Ave. in Anaheim**, the building's rehabilitation will include new air conditioning units; energy-efficient appliances; water-conservation upgrades; exterior paint and façade improvements; interior corridor paint, flooring and amenity improvements; and newly installed countertops, cabinets and flooring. Additionally, CPP will work with **Eco-Gen Energy**, a clean-technology company that specializes in the building and installation of hybrid generators, to keep utility costs down and eventually have the option of bringing Miracle Terrace completely off the power grid. Jamboree will provide additional services to residents, including health-and-wellness programs, mobility-and-balance-awareness-programs, service coordination and community events.

CPP purchased the 45-year-old property from a private owner for \$37.4 million in a transaction syndicated by CPP's parent company, **WNC & Associates**. As part of the agreement, the **Anaheim Housing Authority** will help maintain rents at below-market levels for 124 of the apartments, with the remaining units being covered by new **affordability** restrictions that CPP has put in place. According to Kannan, "Had CPP not stepped in when it did, these seniors would have lost their homes. The residents of Miracle Terrace have been dealing with the uncertainty of rent hikes for many years now, and they have been supported by different nonprofit groups. Thankfully, now they can rest assured that they won't be priced out."

We spoke with Kannan about the transaction and the challenges to senior-housing acquisitions and development in affluent markets like Orange County.

GlobeSt.com: What are the challenges to making senior-housing acquisitions in affluent markets like Orange County, and how are they met?

Kannan: Many times, the owners of affordable-housing properties are reluctant to sell them because they are attached to the residents and want to ensure the new owners will take care of them. With every deal CPP makes, we include many tenant-specific upgrades that improve their lives as well as the building where they live. For seniors, this often includes recreational amenities, such as golf, and group activities, such as adult coloring classes.

The fact that Orange County is affluent adds another layer of reluctance because owners might not want to sell if they think they can make more by converting to market-rate rents, which are very high. Thanks to our partnerships and capital access, CPP has been able to price **acquisitions** competitively while keeping communities affordable. We also offer a greater

assurance of closing that makes the transaction much less risky than a conversion to market-rate rents.

GlobeSt.com: What are the challenges to developing affordable senior communities in affluent markets, and how are they met?

Kannan: Residential properties can be extremely expensive in Orange County, even in the inland communities that many think are affordable. For many senior citizens, even those who have worked their entire lives and raised a family in Orange County, they simply cannot afford anything.

The challenge is battling the misconception that affluent regions, such as Orange County, do not have housing crises, too. This requires a lot of outreach and education – not just to the high-income neighbors, but also the local governing bodies and private-sector **investors**.

GlobeSt.com: How can developers innovatively approach development in these communities?

Kannan: CPP emphasizes the value that affordable housing adds to each community. Studies have shown that an affordable-housing **development** is actually unlikely to decrease a neighborhood's property values.

Seniors are important contributors to their local community, but most of our properties are multi-tenant complexes that provide housing to society's greatest contributors: our teachers, nurses and emergency-responders.

GlobeSt.com: What else should our readers know about senior communities in affluent markets?

Kannan: They are excellent **investments**. Affordable housing is often an overlooked asset class, but we've had everyone from **Citibank** to **Google** invest and lend in our tax-credit transactions. Not only are the returns competitive from an after-tax standpoint, they are uniquely protected from turnover because the tenants don't move out anywhere near the rate of an at-market residential property or a typical **office** building.



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