

Community Preservation Partners Buys Downtown San Jose's Lenzen Square Apartments for \$20.75MM

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Image courtesy of CPP

By **Meghan Hall**

A subsidiary of Irvine, Calif.-based property management company WNC Inc., Community Preservation Partners (CPP) is fulfilling its mission to become more actively involved in the Bay Area with the recent acquisition of downtown San Jose's Lenzen Square apartment complex. CPP bought the 88-unit community, located at 790 Lenzen Ave., from Lenzen Housing L.P., an entity associated with Pacific Affordable Housing Corporation and The Core Companies, in mid-February for \$20.75 million, or around \$235,800 per unit, locking down ownership on a significant property in one of the Bay Area's hottest submarkets. CPP, founded in 2004, is known for its efforts to rehabilitate and preserve existing affordable housing complexes.

“Our mission is to stabilize and preserve affordable housing projects and prevent them from coming to market,” explained CPP’s President, Anand Kannan. “We want to keep those communities affordable and not only preserve them, but enhance them by putting in significant renovation on top of that.”

The deal closed just about two months after the signing of the purchase of sale agreement, said Kannan, a feat for an affordable buyer, especially during peak holiday season. The quick close, however, was paramount in warding off a slew of other offers that came in for the property, which was publicly listed.

The property is in a highly desirable part of San Jose and is adjacent to the Shasta Hanchett Park neighborhood. The site is just a few minutes’ walk from The Alameda and SAP Center, as well as Diridon Station, where Google plans on building a major mixed-use development that will transform downtown San Jose. A shopping center, anchored by a Trader Joe’s and a Target, is also located nearby.



Image courtesy of CPP

“There were several offers from market-rate buyers and investors that were looking to acquire the property because it is in such a popular neighborhood and San Jose is such a great market,” said Kannan. “We had to compete with those buyers, and we had to show that we could execute and close in the same time frame that an investor or market-rate buyer would.”

This included securing local government approvals, working with state agencies on existing regulatory agreements and coordinating with CPP’s financial partners – Deutsche Bank and Redstone – to get everything done on time. Kannan said that Deutsche Bank and Redstone provided \$15 million of debt to finance the acquisition of the property.

"The reason we were able to acquire the property was efficiency of execution," said Kannan. "We have a process, a system, that we have put in place that enables us to perform like a market-rate buyer even though we're an affordable buyer. We had the capital available to get the transaction done and can now focus on the renovation at hand."

Kannan explained that CPP will spend around \$4 million, or between \$40,000 to \$50,000 per unit, on renovating the property. Renovations are expected to begin in June and will include a complete revamp of the units' interiors, as well as accessibility and energy efficiency upgrades. Currently, the complex is a mixture of 38 studios, 38 one-bedroom and 12 two-bedroom apartments. The units range in size from around 482 square feet to 903 square feet. According to the Core Companies' website, the property was completed in 2002, and the total development cost was \$17,404,145. The units are reserved for those earning 50 to 60 percent of average median income. Currently, community amenities include a pool, laundry facilities, a gym, a tot lot, a computer lab and a community room.

According to Kannan, CPP plans to extend the affordability of the complex for another 55 years, once the current term ends.

"I think it's second to none," he said when asked about the Bay Area's housing market. "There is a crisis in the Bay Area. Rents continue to rise, people are continuing to be priced out, and one of the world's largest global economies is right there."

CPP's interest in the San Jose submarket is apparent; in August of 2017, the firm closed on the El Rancho Verde apartment complex at 303 Checkers Dr. from Clark Realty Capital for \$370 million, or around \$528,571 per unit. CPP also owns the 81-unit Courtyard Plaza Apartments and the 144-unit Monte Vista Gardens; CPP finished renovating both properties in August of 2017. Kannan said that many of those who apply to live at the complexes are families, and that CPP has had to close several of its wait lists because demand is so high.

"It's difficult for people to raise a family and to have a solid place to live, a place that they can call home," Kannan added. "We are trying, one property at a time, to keep that ability to call the Bay Area home."