The Cambridge Apartments: Preserving Permanent Supportive Housing for the Long Term

On Thursday, July 18th, Community Housing Partnership (CHP), celebrated the grand reopening of the Cambridge Apartments with 60 efficiency units for formerly homeless adults in San Francisco’s Tenderloin neighborhood. Preserving housing for California’s most vulnerable low-income residents is challenging work involving complex efforts to navigate and integrate funding programs and design housing and services that meet the intensive needs of residents. The refinancing and rehabbing of the Cambridge Apartments demonstrates the creativity and commitment needed to maintain this crucial housing stock. The renovated property offers residents new kitchenettes, improved common areas and accessibility, as well as an enhanced façade that contributes to the overall appearance of the surrounding neighborhood.

Background and Financing Challenges
The Cambridge Apartments was one of a number of Single Room Occupancy (SRO) properties targeted for preservation by the City of San Francisco more than 30 years ago. Chinatown Community Development Corporation (CCDC) acquired the property in 1989 with financial support from the City and a California Housing Rehabilitation Program (CHRP) loan from the State. The Cambridge offers onsite case management and clinical services as well as 24-hour desk clerk coverage, providing maximum security and assistance to tenants.

The property also received US Department of Housing and Urban Development (HUD) Section 8 Moderate Rehabilitation (Mod Rehab) rental assistance. The Mod Rehab program began in 1978 as a way to fund repairs and improvements to rental housing serving low-income people. In the early 1990’s the program shifted to focus exclusively on housing for the formerly homeless. Mod Rehab subsidy contracts are run through local housing authorities, with contracts that until last year were renewable only on a yearly basis, and without any real ability to increase rents over time. The short-term nature of the contracts meant that Mod Rehab rental assistance, unlike other types of Section 8 contracts, could not be leveraged effectively to take on additional debt. In addition, the inability to increase rents means that Mod Rehab rents often do not cover the costs of providing service-enriched, supportive housing.

Community Housing Partnership Steps Up
Due to the building’s age and the extensive services offered to residents, major physical upgrades and restructuring of the financing and operating budget became necessary. CCDC realized that investing the substantial time needed to figure out a way around the financing challenges would make more sense for an organization like CHP, which was already based in the Tenderloin. Luckily, CHP was already familiar with the
property since it had partnered with CCDC to manage the property and provide services to residents for many years.

Public and Private Commitments Help Solve the Financing Challenge

CHP’s staff worked closely with Meg McGraw-Scherer at the California Housing Partnership Corporation (CHPC) to restructure prior loans and obtain new equity investment and financing for the Cambridge Apartments. The restructuring required extensive discussions with the California Department of Housing and Community Development (HCD) to obtain new Multifamily Housing Program funds and to restructure the existing CHRP loan. This process took over a year, as it was one of the first MHP-Supportive Housing/CHRP refinancings.

The project also required extensive coordination with the City of San Francisco to maximize the use of tax credit equity. The City agreed to support the project by maintaining low-cost loans as well as contributing additional local funds. As a project serving formerly homeless adults, the Cambridge Apartments was able to secure 9% tax credits under the statewide nonprofit homeless apportionment. Equity investor Raymond James became a key partner on the project, offering excellent pricing on the tax credits that provided the necessary capital infusion to stabilize and rehabilitate the property. McGraw-Scherer comments, “The refinancing and rehabilitation of the Cambridge Apartments was more challenging than most. We spent hours reconciling the existing loan restrictions with the new proposed financing sources. However, once this work was done and we were able to structure the deal for 9% credits, everything came together. The result is a successful rehab and restructuring of the operational plan that will allow the Cambridge to serve formerly homeless folks for years to come.” Once the financing was secured, CHP assumed ownership of the property from CCDC.

Major Renovation Completed

With new financing and equity in place, CHP was able to proceed with the major renovation of the Cambridge Apartments. For the first time, residents are able to cook in their own units thanks to the addition of kitchenettes in every apartment. Before renovation, units accessible to residents with physical disabilities had been limited to the ground floor of the building. Integrating accessible units into the residential floors above allowed the ground floor to be converted into a tenant lounge and activity area along with office space for tenant service providers and management. The remodel of the ground floor also improved visibility and circulation in the lobby area, adding to residents’ safety and security.

David Schnur, Director of Property Development for Community Housing Partnership, says of the Cambridge Apartments, “We are really happy to be able to provide our residents permanent supportive housing that offers them not only shelter but a high quality of life, with private bathrooms and kitchens and other important amenities that make these apartments feel like a home.”

In-unit kitchenette. Photo by Federica Armstrong.

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