Juniper Gardens: Wakeland Housing Uses New CalHFA Program to Preserve 40 Affordable Homes in San Diego, CA

Next month marks the start of Wakeland Housing & Development Corporation’s rehabilitation of Juniper Gardens, a 40-apartment Section 8 community located in the vibrant City Heights neighborhood of southeast San Diego. While Wakeland is an experienced developer based in San Diego since 1998, they recognized that structuring the financing for a preservation deal would require forging new partnerships, building a stronger relationship with HUD, and perhaps most importantly, taking advantage of the California Housing Finance Agency’s (CalHFA) new pilot Portfolio Loan Prepayment Policy.

Project Background

Juniper Gardens was developed in 1984, when the original, for-profit owner used a 30-year California Housing Finance Agency (CalHFA) mortgage and Project-Based Section 8 rental subsidies to create affordable housing for 40 low, very low, and extremely low income families. By 2010, the property had accumulated approximately $2.4 million in capital needs backlog, and its Section 8 contract was set to expire in 2014. Considering the original owner’s desire to exit the property and recent rapid increases in market rate rents, Juniper Gardens was clearly at-risk of conversion to market rate. To make matters worse, CalHFA’s long-standing policy against prepayment appeared to preclude refinancing and rehabilitating the property.

Acquisition and Early Partnerships

San Diego-based Wakeland Housing & Development Corporation purchased Juniper Gardens in March 2012 with the goal of refinancing and recapitalizing the property in order to extend its useful life and ensure its long-term affordability. Wakeland paid $6.2 million in the sale, with $5.6 million in acquisition financing from the Low Income Investment Fund’s (LIIF) Capital Magnet Fund and the Enterprise Community Loan Fund. Wakeland also contributed an additional $900,000 of its own funds toward the acquisition.

With nearly 6,000 units of high quality affordable housing already under ownership or development since it began operations in 1998, Wakeland already had an enviable record of success in the field. However, Wakeland had less experience in the kind of complex preservation financing that Juniper Gardens required. Some aspects of refinancing – such as obtaining a variety of HUD approvals related to Project-Based Section 8 rental assistance – were new territory for the organization. CHPC Southern California Program Director Paul Beesemyer was brought in to assist Wakeland’s efforts by identifying and resolving key transactional issues with HUD and CalHFA, assisting in the equity and loan bidding process, and securing and negotiating the syndication of Low-Income Housing Tax Credits (LIHTCs). “CHPC’s contacts and many years of experience working with HUD were priceless,” said Jack Farris, Project Manager at Wakeland Housing. “Paul had an exceptional knowledge of HUD, what they wanted, and who to talk to.”
Financing Challenges and Accomplishments

As previously noted, CalHFA’s prepayment restrictions were initially seen as a significant hurdle for Wakeland in their preservation efforts. But in May 2012, the agency announced a new pilot program called the Portfolio Loan Prepayment Policy that allowed prepayment of loans with maturity dates before December 31, 2017. CalHFA’s rationale was that prepayment in these cases would result in few tax issues or economic losses, and could help promote its preservation policy objectives. Since Juniper Gardens’ CalHFA loan was set to expire in the fall of 2013, it qualified for prepayment under the pilot program. Wakeland would have faced a far more uncertain path in its effort to refinance and preserve the property had CalHFA not taken steps to update its policies and make prepayment a clear option.

Considering Juniper Gardens’ extensive capital needs and Wakeland’s desire to add new features for residents, it opted to structure the transaction using competitive 9% rehabilitation LIHTCs, non-competitive 4% acquisition LIHTCs, a new 20-year HAP contract, a soft loan from the San Diego Housing Commission, a permanent loan from the California Community Reinvestment Corporation (CCRC), and a construction loan from Wells Fargo. Wakeland was awarded 9% Tax Credits in the first Tax Credit Allocation Committee (TCAC) application cycle in 2012, and will begin construction in next month.

“Wells Fargo has provided more than $60 million in affordable housing loans and EQ2s to Wakeland Housing since 2004. We hold the company in very high regard,” said Sally Lang, Vice President/Senior Relationship Manager for Community Lending and Investments at Wells Fargo. “Wells Fargo Community Lending and Investments are delighted to be part of the financing team (both debt and equity) for the Juniper Gardens project.”

Preserving a Foothold in a Community

In addition to preserving and upgrading the homes for 40 families in the City Heights community, Wakeland is building a new 1,400 square-foot solar-powered community center and a children’s playground. Considering the scarcity of available sites for multifamily development in stable, predominantly owner-occupied neighborhoods like the one around Juniper Gardens, losing the property to market conversion would have been a significant loss for both existing low-income residents and the City Heights community as a whole. In this sense, Wakeland’s efforts highlight the value of preserving not only housing affordability and the viability of a building, but of preserving a foothold in a desirable community. At a City Council meeting on February 28, District 3 Councilmember Todd Gloria concurred: “This is a wonderful existing community [and] a wonderful project.”

PRESERVATION SERVICES FOR NONPROFIT AND LOCAL GOVERNMENT STAFF

CHPC provides technical assistance, and training to help nonprofit and government agencies build and preserve affordable homes for California families and seniors. For more information, please contact our Housing Preservation Manager, Nadia Shihab at nshihab@chpc.net or 415-433-6804 x 316, or our Housing Policy Manager, Marilyn Wacks at mwacks@chpc.net or 415-433-6804 x 313.