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Hunt Real Estate Capital provides \$192.2 million for 1,321-unit portfolio; Sponsor is a joint venture of Acacia, Pennrose and NYCHA

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Joshua Reiss, Hunt

New York, NY Hunt Real Estate Capital has provided \$192.2 million in financing to facilitate the acquisition and rehabilitation of a multifamily portfolio located in NYC.

The loans are 30-month and 36-month Unfunded Forward Commitments for permanent, fixed-rate financing in the form of Tax-Exempt Loans (TELs) to facilitate payoff of the construction financing for the New York City Housing Authority (NYCHA) Pennrose Bundle. The portfolio was bifurcated into two transactions – one LIHTC and the other non-LIHTC. The permanent mortgage loans are in the amounts of \$118.5 million (LIHTC) and \$73.7 million (non-LIHTC) with 30-year terms amortizing over 40 years.

The sponsor is a joint venture between the Acacia Network, Hunt affiliate Pennrose, and NYCHA. Redstone Equity Partners also provided LIHTC equity for the LIHTC partnership.

The properties are all located in Brooklyn's Bushwick neighborhood. The portfolio contains 1,321 units of existing NYCHA public housing that will undergo conversion through the RAD and Section 18 Disposition programs of the Department of Housing and Urban Development (HUD). In total, the Pennrose Bundle consists of 60 scattered-site multifamily properties in close proximity, as well as one community center building. The garden-style, mid-rise, and high-rise buildings range from three to 14 stories tall, and were built from 1980 to 1987. The unit mix includes studio, one-bedroom, two-bedroom, three-bedroom, and four-bedroom layouts.

Under the RAD program, NYCHA will transfer the portfolio to a partnership led by the sponsor. All 1,321 units will benefit from a new, auto-renewing, 20-year HAP contract, which will be in place at closing. The buildings include:

LIHTC Bundle:

- Bushwick Group B (156 units)

- Bushwick Group C (204 units)
- Bushwick Group D (144 units)
- Hope Gardens (330 units)
- Palmetto Gardens (115 units)

Non-LIHTC Bundle:

- Bushwick Gardens Group A (96 units)
- Bushwick Gardens Group E (276 units).

“The Bushwick portfolio is being acquired and renovated under the Rental Assistance Demonstration (RAD) program in which public housing units are converted to project-based Section 8 housing,” said Joshua Reiss, vice president at Hunt.

This is the second largest NYCHA portfolio that Hunt has financed. In November 2018, Reiss also arranged financing for the \$120.6 million acquisition and rehabilitation of the Betances NYCHA RAD portfolio, a 1,088-unit scattered-site public housing portfolio located in the Mott Haven section of the Bronx. With the closing of the Pennrose Bundle, Hunt has arranged \$310 million for NYCHA through the RAD program in the past nine months.

The RAD program enables the use of public and private investments to revitalize and preserve much needed affordable housing. With the new financing, the portfolio will undergo a significant rehabilitation over a 30-month period after closing with a total construction contract amount of \$156 million. Of the portfolio’s 1,321 units, 760 units will benefit from project-based vouchers under Section 18 of the U.S. Housing Act, while 557 units will benefit from project-based vouchers through the RAD program. There will be four units reserved for on-site staff.

“Freddie Mac and the New York State Housing Finance Agency (NYSHFA) created a new risk share program to reduce borrowing costs and promote increased proceeds to be used toward the essential rehabilitation of the portfolio,” said Reiss. “This is the first Freddie Mac tax-exempt loan offered in the state of New York. This highly efficient and competitive product will help create new pathways to financing affordable housing moving forward.”

“Freddie Mac Multifamily is pleased to help meet the need for safe and affordable housing in Bushwick,” said David Leopold, vice president of targeted affordable sales & investments for Freddie Mac Multifamily. “Working with Hunt Real Estate Capital, our forward commitment will allow for the rehabilitation of 1,321 units, serving low-income tenants in one of the most cost-burdened markets in the country.”

“On behalf of the development partners, I’d like to thank Hunt Real Estate Capital and Freddie Mac

for their support and investment in the Bushwick neighborhood,” said Timothy Henkel, principal and senior vice president at Pennrose. “The capital improvements and critical repairs will transform the living experience for residents and serve as a benefit to the entire neighborhood.”

The capital improvements are being implemented to address immediate health and safety issues, improve conditions for energy efficiency, introduce upgrades that will directly facilitate day-to-day operations, and ensure the long-term viability of the campus as an affordable housing and community resource.

“Pennrose has developed over 17,000 rental units, representing over \$3 billion in total development costs, and has been at the leading edge of mixed-finance affordable housing development since their founding. This project is emblematic of Pennrose’s commitment to preserving our nation’s public housing assets and represents their ability to execute complex public-private transactions,” said Reiss. “We are pleased to partner with NYCHA and Pennrose to partake in the execution of this monumental project.”

The renovations will include repairs and upgrades to accessible routes, landscaped public and private areas, lighting, security, building exteriors and interiors, lobbies, entrances, apartment kitchens, bathrooms, management spaces, and commons areas; as well as building systems, including replacement or substantial upgrades to heating and cooling, ventilation, electrical, and conveyance systems.

Since 2000, the exponential rise of real estate prices in New York City has created a shortage of affordable housing options for residents, which is why projects like the Pennrose Bundle are critical. Hunt Real Estate Capital is proud to play an important role in the preservation of 1,321 units of public housing for the local community, and will continue to strive towards making affordable housing options more accessible in the New York City area.

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