



Red Oak Capital Holdings provides \$5.8 million bridge loan for affordable housing

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Hawaii Ave. Apartments, 89 & 93 Hawaii Ave. NE - Washington, DC

Washington, DC Red Oak Capital Holdings, LLC has provided a \$5.8 million bridge loan for the Hawaii Ave. Apartments, a pair of multifamily buildings. The funds will be used to acquire and rehabilitate the properties into 22 multifamily units to be rented under the DC Housing Authority's Housing Choice Voucher Program (DCHCVP).

Hawaii Ave. Apartments consists of adjacent buildings located at 89 & 93 Hawaii Ave. NE in the Brookland neighborhood. The borrower intends to convert the existing vacant units into 12

two-bedroom and 10 three-bedroom apartments with projected monthly rents of \$2,439 and \$3,256, respectively. The rehabilitation is expected to be finished within a year, with full stabilization by late 2025.

“Whereas some capital sources may perceive this deal as higher risk, it’s exactly the type of transaction for which we expanded our loan programs earlier this year,” said Gary Bechtel, CEO of Red Oak. “We’re confident in the expertise and judgment of our underwriting team, as well as the sponsor’s long history of compliance with the DCHVP program, which itself has a months-long waiting list of more than 40,000 households.”

The financing was provided through Red Oak’s Participating Bridge Loan Program, in which the firm provides an equity component—thereby taking on some project risk—in exchange for a percentage of the project’s value creation at exit. The interest-only loan carries a 12-month term with two 6-month extension options and an all-in interest rate of 11%. The non-recourse debt represents an LTSV of 72.3% based on the property’s forecast stabilized value of \$8 million.

The sponsor, Legacy Lofts II & III, is a regional investor with more than 20 years of expertise. It owns and operates more than 200 units that are exclusively rented under the DCHCVP, which uses federal and state funds to help subsidize rents for low- to moderate-income families across the city.

“We’ve financed a number of projects that participate in DC’s voucher program, which tends to provide greater rents than could be achieved on the open market,” said Bechtel. He noted that CoStar reported average monthly rental rates for two- and three- bedrooms in Brookdale were \$2,283 and \$2,261, respectively, in December. “We expect Hawaii Avenue Apartments to be well received given the demand for subsidized housing and the tight rental market in Northeast DC, which registered 94% occupancy and limited development activity in the third quarter.”

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