



Tax Credits Crucial to Saving, Upgrading Connecticut Senior Housing

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A landmark transaction for Boston-based nonprofit Preservation of Affordable Housing (POAH) restored an architecturally significant building for residents of an affordable housing development in Middletown, Conn.

The Old Middletown High School Apartments, home to seniors and disabled residents since the 1970s, underwent a rehabilitation that included masonry, new windows, energy-efficient boilers and upgraded kitchens and boilers. The 65-apartment building's renovation was financed in part by low-income housing tax credits (LIHTCs) and historic tax credits (HTCs).

It was also the Massachusetts Housing Investment Corporation's (MHIC's) first investment project in Connecticut. "It's really a neat building," said Pete Sargent, director of capital development for MHIC, which syndicated the LIHTCs and provided the acquisition loan. "The location is near Wesleyan University and this building occupies a sweet spot, yet it serves a population and fits in the fabric of a neighborhood that's at risk."

Middletown Mayor Daniel Drew cited the importance of preserving historic buildings to his city. "This

is something that's important to us. We try to do whatever we can [to preserve historic buildings]," he said.

The development had plenty of support in Middletown. "We look to see if a development has the capacity and if it has the political support of the community," said Tom Dorsey, manager of government affairs for Eversource, the state HTC investor. "This one definitely had both. It's a good project."

Location, History Both Important

Peter Tousignant, Community Reinvestment Act (CRA) investment officer at LIHTC investor TD Bank, said his bank really liked the Old Middletown High School Apartments. "This is a well-located project for seniors that had an excellent track record," he said. "It was an important CRA investment to fund necessary improvements and upgrades to the building so that the project could be positioned for continued success."

Roger Palmer, tax assessor in Middletown, said the location is crucial. "This is really nice housing and residents can walk downtown, visit businesses and the library," he said.

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The location and nature of the structure made it important to city residents. Julie Creamer, project manager for developer POAH, said she heard plenty of memories during construction from residents who remembered the building as a high school. “It was a building that meant a lot to them,” she said. “And it’s very special that it was originally built for the young people of Middletown and now it’s serving the city’s seniors. It’s a very significant structure in that way.”

Landmark for MHIC

The transaction was significant for MHIC, as it expanded its base of operations. “A couple of years ago, we were routinely queried by sponsors, developers and investors about when we would go outside Massachusetts,” said Sargent. “The Old Middletown High School is our first LIHTC development in Connecticut.”

Sargent said MHIC subsequently expanded into Rhode Island. He said partnerships were crucial in the first Connecticut development. “What better group to do our first deal there than POAH and TD Bank?” Sargent said. “They deserve kudos for this—they were all very cooperative.”

Rich History

The Old Middletown High School—the second such high school in town—was built from 1894 to 1896, with high-quality materials, including brick brownstone and terra cotta. It included a turret, compound arches and an asymmetrical plan that are typical of Romanesque Revival style.

In 1912, a large wing was added to the south side of the building and a second large wing—containing a library, auditorium and gymnasium—was added in 1931. The structure was used as a school until 1972, when a new high school was built. In 1979, the property was sold to a developer and converted into affordable senior apartments. It was put on the National Register of Historic Places in 1985.



Image: Courtesy of Preservation of Affordable Housing (POAH)
The Old Middletown High School Apartments opened in the 1970s, but a renovation in 2015 gave them a new look and feel.

Renovated Property

POAH purchased the complex in 2014 with plans to renovate. The process moved quickly and residents remained in place during a yearlong process, as POAH put in new windows, replaced some kitchens and bathrooms, improved ventilation and made electrical upgrades. Construction finished in December 2015.

Christine Vicente, senior investment officer at MHIC, said the energy-efficiency is a huge improvement. “I believe we cut the gas bill by a little less than one-third,” she said. “The [apartments] are huge units with high ceilings. It was incredible to see how much this saved.”

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Creamer revealed her favorite spot: “It has a beautiful atrium that is lit with skylights. When I first walked in, I saw that it was underused,” she said. “It wasn’t used as a gathering space and part of the problem was that you couldn’t tell where it ended. So we created a border so the middle of the atrium is clearly defined as a common area. It’s a beautiful spot.”

Creamer lauded the fact that POAH added, “a lot of little tweaks that will help preserve the building long-term. That’s our main goal—it needed a lot done to secure it as long-term, affordable housing. We were in everybody’s unit and the residents were very gracious.”

HTC Complications

Sargent said that, “as usual,” the presence of the HTCs made things a little more complicated. “It [HTCs] always brings extra variables, so it needs closer oversight,” Sargent said.

The development’s major historic hurdle was decorative windows that were incorrectly manufactured and failed to meet National Park Service (NPS) standards. That caused delays for the state HTCs.

“It’s a pretty complicated structure,” Creamer said. “It’s two buildings that were built separately at different times, so that creates a different historic fabric from building to building. The brick styles, the colors and the façade. It caused it to require more attention.”

Financing

The development received \$4.3 million in LIHTC equity (syndicated by MHIC) from TD Bank and \$3 million in acquisition financing from MHIC. Other sources include state HTCs from the Connecticut Department of Community and Economic Development, with Eversource providing about \$1.4 million in state HTC equity financing. Connecticut Housing Finance Agency (CHFA) provided \$6.6 million in construction financing from tax-exempt bond proceeds and permanent tax-exempt debt of \$2.7 million. The Connecticut

Department of Housing provided a \$4.6 million loan under the state’s CHAMP program.

TD Bank was pleased to participate. “POAH has an excellent reputation and track record as a mission-based developer of affordable housing and the investment clearly has a positive CRA impact through the preservation of an affordable housing project,” said Tousignant.

POAH worked with HUD to obtain a long-term renewal of the Section 8 contract for the entire project. It was set to expire within five years.

“It was a developer and sponsor who are important to us and an investor we know well,” said Sargent. “And it was preservation, which is in important part of our mission. [The building] was at-risk and could have gone away. We hate to see senior housing disappear. This was a win-win-win-win. It’s a high priority of the state and they didn’t want to see it go away.”

Successful Completion

Sargent said that during the grand opening, residents expressed gratitude and enthusiasm for the renovation and he expressed gratitude to the partners. “We believe in a holistic team approach,” said Sargent. “Everybody remained focus and we went through a couple of blips.”

Creamer said the fact that POAH renovated all the kitchens and bathrooms meant the developer had a lot of interaction with residents. “The thing I think most residents are happiest with is the front door,” she said. “It’s more residential looking. ... I think residents are really quite happy with their new doors, it’s the façade of the unit.”

Creamer added that the residents continue to be happy with changes. “They’re very pleased with it,” Creamer said. “It was a long process. ... Some [residents] were saddled with old windows that were hard to open and drafty. Now they’re all installed and the residents are

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happy that we preserved the look of the old place with new and improved amenities.”

Mayor Drew said the tax credits played a key role in saving and renovating an important building in his city. “It was still going to be senior housing, but I’m not sure there could have been the improvements without the tax credits,” he said. “Those improvements were important.”❖

Old Middletown High School

FINANCING

- ◆ \$6.6 million construction financing from Connecticut Housing Finance Agency tax-exempt bond proceeds
- ◆ \$4.6 million loan from Connecticut Department of Housing CHAMP program loan
- ◆ \$4.3 million in low-income housing tax credit (LIHTC) investment by TD Bank
- ◆ \$3 million acquisition financing from Massachusetts Housing Investment Corporation
- ◆ \$2.7 million in permanent tax-exempt debt from Connecticut Housing Finance Agency
- ◆ \$1.4 million in state historic tax credit (HTC) equity investment by Eversource

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