



**Anthony Arms  
and  
Kingston Gardens**

**DCA Magnolia Awards**

**for**

**Excellence in Housing**

**November 20, 2008**

# **Anthony Arms & Kingston Gardens**

- **The team:**
  - Potemkin-Magita Development, Inc.
  - In-Fill Housing, Inc.
  - Jay Green (L&JG Development, LLC)

# Anthony Arms & Kingston Gardens

- **Anthony Arms**

- 1692 Anthony Road, Macon, GA

- Built in 1968

- Consisted of:

- 40 2BR, 1BA units

- 20 3BR, 1BA units

- all configured as two story garden style apartments

- Unit sizes:

- 750 sf for the 2BR units

- 1,000 sf for the 3BR units.

# Anthony Arms & Kingston Gardens

- **Kingston Gardens**

- 4416 Mumford Road, Macon, GA

- Built in 1969

- Consisted of:

- 60 2BR, 1BA units

- 40 3BR, 1BA units

- all configured as two story garden style apartments

- Unit sizes:

- 854 sf for the 2BR units

- 1,016 sf for the 3BR units

# **Anthony Arms & Kingston Gardens**

- **The benefits of a joint venture between for-profits and local non-profits:**
  - Potemkin-Magita's tax credit development and construction expertise
  - Jay Green's banking background and knowledge of FHA processing
  - In-Fill's experience with Section 8 housing programs, Georgia HAP Administrators, Inc. and its MHA connection
  - Potemkin-Magita is 51% owner of the GPs

# **Anthony Arms & Kingston Gardens**

- **The critical need for Section 8 housing preservation:**
  - Many Section 8 properties are 30+ years old and show their age
    - They can adversely affect, and are adversely affected by, surrounding areas
    - Mediocre properties become troubled properties
    - The downward spiral ensues
      - Vacancies
      - Deferred maintenance
      - Limited cash flow
      - More vacancies
      - Less screening

# **Anthony Arms & Kingston Gardens**

- **The critical need for Section 8 housing preservation (continued):**
  - 15 properties in Macon
    - Many are in good condition
    - Anthony Arms/Kingston Gardens were two of the worst
  - 330 S/8 properties in Georgia (26,000 units statewide)

# Anthony Arms & Kingston Gardens

- For Anthony Arms and Kingston Gardens:
  - The owner lived in Telluride, Colorado, and
  - A local management company just going through the motions
  - Kingston Gardens had a 15% vacancy rate – and all units were assisted!!
- We've preserved not just both properties but also the HAP Contract
  - Previous owners could have opted out
  - A renewal period of less than 5 years
  - New HAP Contract preserves the S/8 assistance to 2026!

# Anthony Arms & Kingston Gardens

- **HUD 221d4 financing (FHA Insurance)**
  - **Benefits**
    - 40 year amortization
    - Full government guaranty
    - Traditionally lowest cost fixed rate financing
      - However, as economy has turned spreads have widened
      - Pricing is not as advantageous as it once was
      - Must consider “all in” cost with base rate and MIP
    - Construction and permanent funds with only one closing
    - No guarantees for construction or permanent loan
    - In “good old days” DCA gave points for this financing
    - No economic re-underwriting at conversion to permanent
      - HUD does look at mortgagable cost and could re-size the loan
    - Interest rate fixed at construction loan closing

# Anthony Arms & Kingston Gardens

- **Disadvantages**

- HUD must have first position
- Drives all other financing even though they provide least \$
- Low loan amount, but very high cost
  - Higher legal costs due to multiple attorneys/complexity of deal
  - Relatively high fees for underwriting, loan placement, construction monitoring
- HUD controls funding during construction phase
- Very rigid rules governing “Mortgagable Costs”
- Must consider volatility in rates between time of commitment and actual closing
- Contractor must carry costs in line items that run over
- No reallocation of costs until 80% or more complete

# **Anthony Arms & Kingston Gardens**

- **Insurance upon completion**
  - Allows developer to control funding during construction
  - Requires developer to seek additional construction financing
  - Requires guarantees during construction
  - Adds additional cost for legal and loan fees
  - HUD 221(d)4 interest rate not fixed until permanent loan conversion

# **Anthony Arms & Kingston Gardens**

- **The existing situation when we purchased the properties:**
  - 30 year old distressed Section 8 housing
  - Functionally obsolete
  - Poor market presence, lots of vacancies
  - Out of state owner and lackluster management
  
  - 2 BR units only 750 sf
  - 3 BR units only 950 sf
  - Only 1 bathroom/unit
  - “Decent, Safe and Sanitary” - barely

# **Anthony Arms & Kingston Gardens**

- **The challenges of a new design:**
  - A major transformation vs just a rehab
  - We weren't interested in just a paint job
  - “Building footprint” challenges
  - Wallace Architects up to the task
  - We locked ourselves up for three days

# **Anthony Arms & Kingston Gardens**

- **The bump-out idea allowed:**
  - Large increase in square footage
  - Added second baths
  - Addressed other inadequacies
    - Closets, storage, accessibility
    - Rotted wood flooring/framing

# Anthony Arms & Kingston Gardens

- **The problems/challenges:**
  - Relocation issues
  - The teachable moments with demolition
    - 3 reasons why demolition was required
  - Project management challenges
    - Our first rehab
    - Two projects, simultaneously – 160 total units
    - HUD's Early Start provisions – woops!

# Anthony Arms & Kingston Gardens

- Anthony Arms Sources and Uses Budget

## Sources

First Mortgage	Prudential HUD 221(d)4 Loan	\$962,000
Second Mortgage	Macon Housing Authority	180,000
Federal Housing Credit Equity	Affordable Equity Partners	4,757,172
State Housing Credit Equity	Affordable Equity Partners	1,715,328
		<hr/> <b>\$7,614,500</b>

# Anthony Arms & Kingston Gardens

- Anthony Arms Sources and Uses Budget

Uses

Pre-Development Costs	\$64,600
Acquisition	1,367,550
Demolition	268,260
Site Costs	432,000
Building Construction	3,435,048
Contractor Services	501,305
Construction Period Financing	222,463
Professional Services	165,500
Local Government Fees	31,900
Permanent Financing Fee	97,020
DCA Related Costs	85,466
Equity Costs	36,900
Developer Fee	704,488
Start up	152,000
Relocation	50,000

\$7,614,500

# Anthony Arms & Kingston Gardens

- Kingston Gardens Sources and Uses Budget

## Sources

First Mortgage	Prudential HUD 221(d)4 Loan	\$2,550,000
Second Mortgage	Macon Housing Authority	195,000
Federal Housing Credit Equity	Affordable Equity Partners	7,378,140
State Housing Credit Equity	Affordable Equity Partners	2,470,360
		<b>\$12,593,500</b>

# Anthony Arms & Kingston Gardens

- Kingston Gardens Sources and Uses Budget

<b>Uses</b>	
Pre-Development Costs	\$53,550
Acquisition	2,214,916
Demolition	700,960
Site Costs	930,000
Building Construction	5,375,061
Contractor Services	808,680
Construction Period Financing	479,698
Professional Services	245,725
Local Government Fees	44,000
Permanent Financing Fee	154,150
DCA Related Costs	124,000
Equity Costs	45,000
Developer Fee	1,164,760
Start up	194,000
Relocation	59,000
	<b>\$12,593,500</b>

# Anthony Arms & Kingston Gardens

- **Timeline:**

- January 2004 We were looking for a project
- April 2004 Request for offers from listing agent
- June 29, 2004 Submitted letter of Intent
- July 2, 2004 Our offers tentatively accepted
- August 2004 - February 2005 Protracted negotiations with owner's attorney ☹
- May 4, 2005 Applied to DCA for Tax Credits
- September 30, 2005 Tax Credits allocated for both projects

# Anthony Arms & Kingston Gardens

- **Timeline (continued):**

- March/April 2006 “3 legged stool” issue. Needed resolution for:
  - 1) New rents
  - 2) HAP Contract Assignments
  - 3) HAP Contract Extensions
- April 18, 2006 Sale of properties to new Partnership (just in time to meet Carryover!)
- July 7, 2006 “Early start” started
- August 18, 2006 Partnership closing with AEP
- October 10, 2006 Early start approval 😊
- November 2, 2006 HUD “Firm Commitment” issued
- December 31, 2007 CO’s (last ones 😊)
- August 21, 2008 Prudential/HUD closing (FHA Insurance)

# Anthony Arms & Kingston Gardens



**Anthony Arms**



**Before Renovation**

# Anthony Arms & Kingston Gardens



**Anthony Arms**

**During Renovation**



# Anthony Arms & Kingston Gardens

**Anthony Arms**



**After Renovation**

# Anthony Arms & Kingston Gardens

## Anthony Arms



# Anthony Arms & Kingston Gardens



**Kingston Gardens**

**Before Renovation**



# Anthony Arms & Kingston Gardens

## Kingston Gardens



**Demolition in  
progress**

# Anthony Arms & Kingston Gardens



**Kingston Gardens**

**After Renovation**



# Anthony Arms & Kingston Gardens



**Kingston Gardens**

**Community Center**

