



HOUSING PRESERVATION NEWS

CHPC Preservation Clearinghouse

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Marymead Park: Preserving and Improving One of Marysville's Oldest Affordable Developments

Editor's Note: In this issue, we take a look at the preservation of Marymead Park in Marysville, CA, a model in successful community redevelopment made possible by a partnership between Mid-Peninsula Housing Coalition and Community Housing Improvement Program. Four years after Mid-Peninsula identified the property for preservation, the newly renovated Marymead Park was officially unveiled on May 12, 2009.

Saving Marymead from Conversion

In 2005, Marymead Park was badly in need of repair. Built in the 1950s to house military families, the original 39 buildings had become rundown. Faced with expensive renovations, the for-profit owner made the decision to cash out by selling to the highest bidder, making it likely that the Section 8 contract that had kept the property affordable since the '80s would be lost.

It was then that nonprofit developer Mid-Peninsula Housing Coalition (MPHC) identified the property for preservation and approached Community Housing Improvement Program (CHIP) to form a partnership to acquire and rehabilitate the development. MPHC took the lead on development and finance, CHIP primarily on management. This partnership became Marymead Affordable Housing (MAH), a limited partnership in which MPHC and CHIP are co-general partners.

To kick the effort off in the right direction, the development team held several meetings with existing tenants to gain input and suggestions for improvements, many of which were included in the final plans. Each home received substantial upgrades including all new kitchen and bathroom appliances, plumbing and electrical systems, air conditioning and flooring.

The renovations were required as part of HUD's Mark to Market program, which typically reduces the rent subsidy of existing Section 8 contracts and writes down FHA-insured mortgages to a level that can be supported by the lower rents. In most cases, HUD requires owners to make physical improvements to the property, thus enabling it to be preserved as affordable, quality housing for years to come.

Completed in May 2009, the new Marymead Park offers 68 two- and three-bedroom rental homes, a community meeting room and a swimming pool. The original tenants have returned to their homes, and affordability has been preserved for at least 50 years for residents earning between 20 and 60 percent of the area median income.

Making the Project Work

With help from CHPC, MAH was able to close one of the few successful Mark to Market deals in 2008. According to Mid-Peninsula Project Manager Sean Thornton, "Marymead Park owes a lot of its success to CHPC and their unparalleled expertise in refinancing these aging HUD properties."

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There were several aspects of the project's financing that made it unique. First, the lion's share of funding came from Union Bank of California (UBOC), who served as both the lender and the investor. UBOC provided \$2.4 million in construction/permanent financing and purchased \$12.5 million in equity at 95 cents on the dollar. A \$1 million acquisition loan from Local Initiatives Support Corporation was critical in getting the project off the ground. Finally, no other public funds were used except the \$1.5 million written down by the HUD restructuring note. Per Mark to Market guidelines, the original mortgage was turned into a silent second mortgage and transferred to MPHC in exchange for the improvements and renewed affordability. Funding sources and uses for the project were as follows:

Uses of Funds	Amount	Sources	Construction	Permanent
Property Acquisition	\$4,001,007	Union Bank of California Loan	\$2,356,000	\$2,356,000
Rehabilitation/Furnishings	\$9,263,815	HUD -- (Mortgage Restructuring Note)	\$1,462,663	1,462,663
Architecture/Engineering	\$363,257	Existing Replacement Reserves	\$133,906	\$133,906
Loan costs/Legal/Consulting	\$483,222	UBOC Tax Credit Equity	\$12,042,107	\$12,595,059
Relocation/Marketing/Reserves	\$1,036,327	Deferred until perm loan closing	\$552,952	--
Developer Fee	\$1,400,000	--	--	--
Total Development Costs	\$16,547,628	Total Sources	\$16,547,628	\$16,547,628

Marymead Park provides a great example of how the Mark to Market program can be used to renovate existing affordable housing and create a long-term, valuable community resource in the process. Marymead was made possible by the cooperative efforts of MPHC, CHIP, UBOC, the HUD Sacramento Field Office and the HUD Office of Affordable Housing Preservation in Chicago.

PRESERVATION SERVICES FOR NONPROFIT AND LOCAL GOVERNMENT STAFF

CHPC provides financial consulting, 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 Policy Manager, Marilyn Wacks at mwacks@chpc.net or (415) 433-6804 x313.

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