



POAH acquires Grace Church Apartments in Providence to preserve as affordable housing *second HUD Section 202 acquisition in a year*



POAH has closed on the purchase of **Grace Church Apartments**, a 101-unit affordable apartment complex in Providence, Rhode Island. Grace Church Apartments is an 8-story building constructed in 1978 under the HUD Section 202 program that provided very low-income elderly with services to allow them to live independently such as cleaning, cooking and transportation. HUD allowed operating funds to support these services but as residents' needs grew more complex over time many Section 202 projects have struggled. In 2006, the median age of Section 202 residents was 74 years, and 31 percent were 80 years or older.

Recent changes at HUD encourage the transfer of Section 202 senior housing developments from faith-based non-profits to professional housing non-profits such as POAH that can attract an array of funding sources. To make this feasible, HUD replaces the operating funding mechanism with Section 8 funding based on a formula tied to market rents. This allows some operating dollars to once again support these kinds of services.

Under the new HUD rules, nonprofit sellers are able to keep the proceeds from their real estate dispositions in order to enhance their other mission activities. Last year, POAH purchased **Trinity Towers Apartments**, a 510 unit senior housing complex in Melbourne, Florida owned by **Holy Trinity Episcopal Church**. The transaction was a double win for the church; the successful transfer to a mission-based non-profit with a core competency in housing gave parishioners comfort that the charitable purposes for which the housing was originally built would be retained and the liquidation of the asset provided a healthy contribution to its budget. Similarly, POAH's acquisition of Grace Church Apartments ensures that affordability at the property will be preserved for the long term and services will continue to be provided.

The acquisition was made possible by \$4.1 million in 4% Low Income Housing Tax Credit equity from the **Massachusetts Housing Investment Corporation** and a \$10.4 million **FHA** loan backed by \$7.4 million in tax-exempt bond financing from **Rhode Island Housing**. In addition, the transaction is benefiting from the State of Rhode Island's partial real estate tax abatement program in which rent-restricted properties receiving substantial renovations are taxed at no higher than 8% of Gross Potential Revenues. This partial relief is critical to underwriting transactions such as Grace Apartments.

POAH will conduct more than \$3.6 million in renovations in the coming months including new windows, replacement of all substandard kitchens and baths, improved ventilation in apartments, and fire safety upgrades. The property includes a hobby room, library, fitness room, and management offices. Grace Church Apartments also features a commercial kitchen operated by the nonprofit organization, **The Cookie Place**, which provides food-service job training to veterans and developmentally disabled adults. The Cookie Place's lease had expired and its future was uncertain, but POAH agreed to enter into a new lease and will work with the organization to support its mission and continued growth.